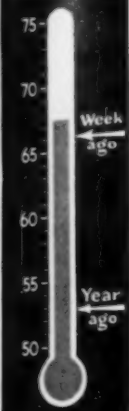


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BUSINESS WEEK

BUSINESS INDICATOR



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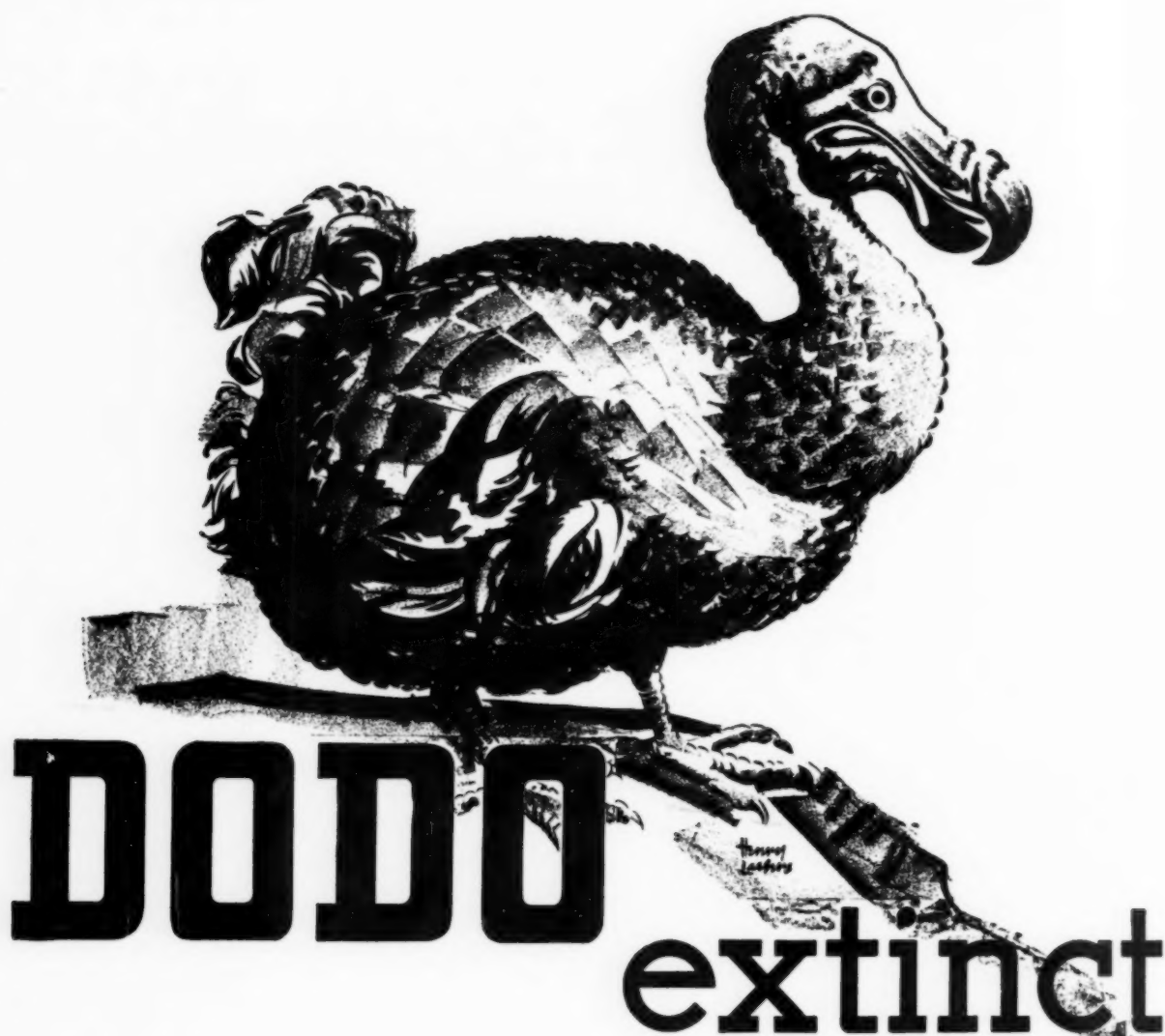
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FOR centuries, this bird didn't use its wings.
When it had to (to survive) it couldn't.

Have you been using your package as a sales weapon? From now on you'll need to. Better be sure it's adequate.

Already the contest for consumer favor is being waged with packages—shrewdly conceived, expertly designed, by those who know consumers and what will make them buy. Already, hundreds of manufacturers have discovered that their packages can be a vigorous merchandising force.

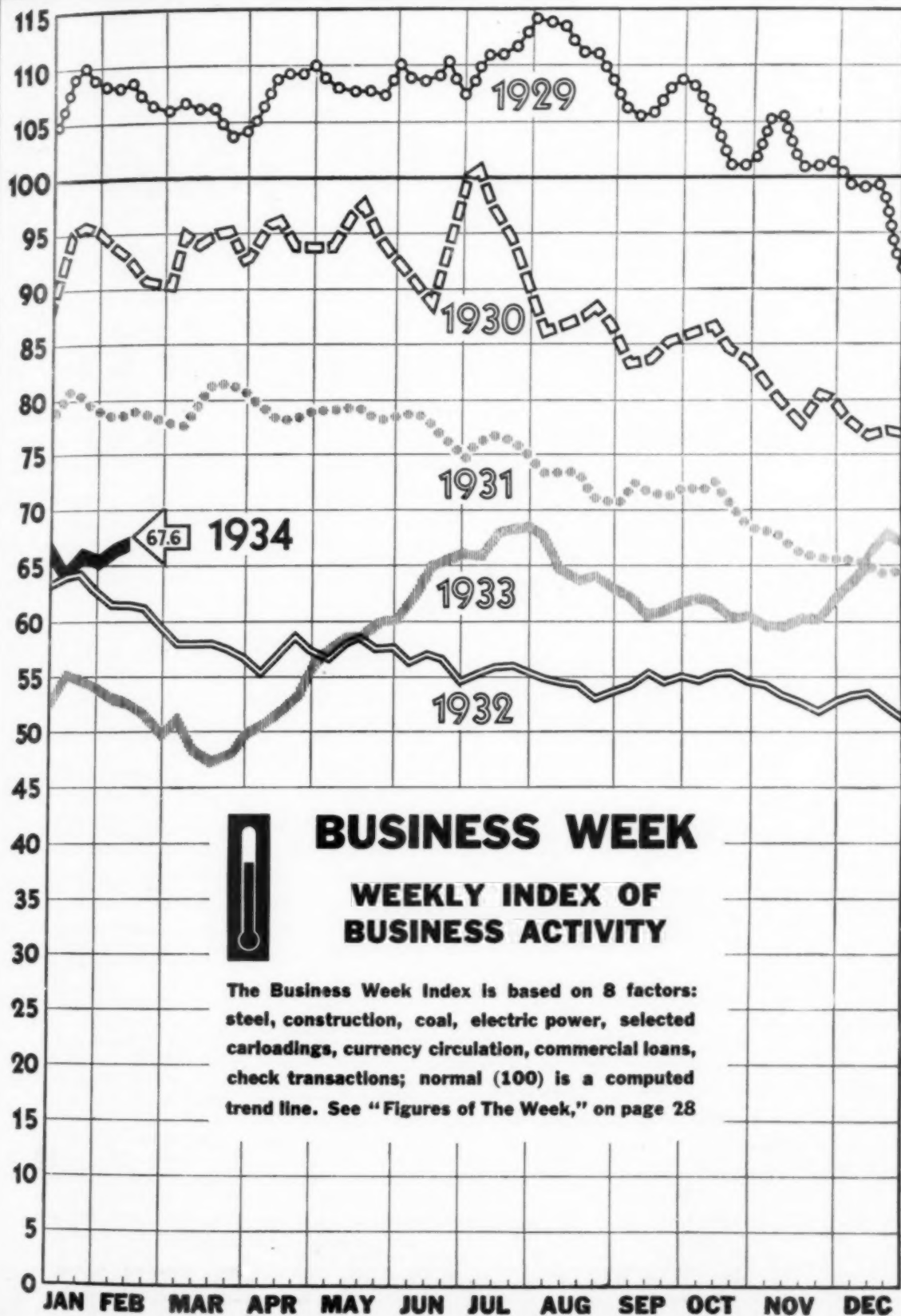
Today a good product in an out-of-date package faces a serious handicap. From a sales standpoint, the new technique of packaging is too important to ignore.

Perhaps you have not discovered the full sales possibilities in packaging. We urge you to do so now at the American Can Company office near you. The same vision, resourcefulness, and skill which have made possible so many sales making packages are available to you at Canco without obligation or cost.

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HERE'S A METHOD THAT GIVES THEM TO YOU
QUICKLY, ACCURATELY, ECONOMICALLY . . .

{ *"No manufacturer is to sell products
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costs, or other statistical data. And it furnishes *quicker figures, cheaper figures, more accurate figures*. That's why so many companies, large and small, are turning to this method every day.

Comptometer representatives are experienced in the cost-accounting problems and figure routines of all types of business. This experience is always at your service. For further information about the Comptometer Peg-Board method, and its application to your problems, fill out the coupon below. You incur no obligation. Felt & Tarrant Mfg. Co., 1733 North Paulina Street, Chicago, Ill.

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COMPTOMETER

(TRADE-MARK)

The Business Outlook

FEBRUARY is not letting the trade momentum whipped up last month fall away. Motor plants have licked the production difficulties that beset them in January, and are making full use of their grant of an extension in hours beyond the code stipulations. Employment, payrolls, retail trade activity are direct beneficiaries of the expanding production pace. And cold weather is adding its bit to coal buying, to freight shipments, and to demand for electric power.

Basic commodity prices are scrambling upward. Cotton has gained \$11 a bale since the first of the year, as efforts to restrict next year's crop gain broader adherence. The fur auction opened with prices 10%-40% above last October's sale, a pointed indication of the prices that women will meet when they go shopping for next year's coat. One large tire producer advanced prices a modest 3% to cover the added costs of materials and labor, but his competitors are hesitating to follow suit just now, even though they acknowledge the need.

Canners Buying Steel

Steel activity is now close to 40% of capacity. Motor manufacturers are stepping up schedules rapidly, hope to cross the 250,000 mark in February, and hit 300,000 in March. Release of railroad freight car, passenger coach, and rail orders will also fall in the first quarter, taxing the steel mills' machinery. So far, construction demands have been insignificant, though January's backslide in public works awards is reported to be only a temporary move. March may see even this group clamoring at the steel mills. Most unexpected of customers just now are the tin plate mills, forced to double their operating rate when canners entered the market 6 weeks earlier than usual.

Sheet Mills Busy

In an effort to overcome the handicaps to greater production, General Motors, Chrysler, Ford, and others have purchased some \$2 millions of new tools. With orders piling up at plants, every effort is being made to lay in adequate supplies. Spreading of orders among a large number of mills is now thought a means of insuring an ample backlog of sheets as well as being a chastisement of steel concerns. The number of mills making the broad sheets required for the new streamlined cars is limited. In the Detroit area, sheet mills are full up with orders and turning away late comers.

Worried Over Labor

Moreover, there is a growing tenseness about the continued discussion of shorter hours, now that NRA au-

thorities are looking favorably upon some downward revision of code hours. The situation at Weirton is being watched as closely by motor makers as by the steel industry. The A. F. of L. has announced that spring is a good time to drive for wage increases. Hence, the automobile industry is eager to be prepared in case price increases or material shortages should materialize. There is no doubt that the automobile men's recent protest against higher steel prices had some influence on the recent reduction in stainless and hot-rolled strip steel, and in delaying advances on sheet.

155,000 January Cars

January automobile output in the United States and Canada reached 155,000 units, according to the National Automobile Chamber of Commerce, which this month included the Ford figure of 57,575. This is 78% better than December, even 16% better than a year ago. General Motors admitted January sales to retail consumers weren't much to talk about, even though they were double the December low. It blames the production troubles it encountered last month, that left even dealers embarrassingly short of display material. If the first-quarter production of all makes reaches the 700,000 line as so freely predicted, it will be the largest output since 1930.

Cold Sells Coal

Bitter temperatures over large areas of the country have caught coal dealers with inadequate supplies. That enough demand turned up to find its way back to the mines is apparent in the 5% production gain during the first week of February.

Carloadings Rise

Carloadings for the week ending Feb. 3 were sustained chiefly by coal and coke loadings, attributable to the weather. This same factor probably cut into shipments of miscellaneous freight; zero offers no encouragement to spring goods or perishables. Jan-

uary loadings gained 13% over a year ago; the latest week is 16% better. Every district reports increased traffic compared with a year ago. Southeastern states even surpassed 1932.

Current Flows Uphill

Weather conditions still account for the irregular behavior of the electric power curve. Lengthening days should force a gradually declining flow of current. Instead we find the week ending Feb. 10 pushing into new high ground for the year, standing 5.6% above the opening week.

Money Figures Adjusted

Currency circulation figures were delayed last week until the Washington money manipulators performed a slight operation to remove some \$287 millions of gold coin from the customary report. The effect should be to present a more accurate picture of the actual volume outstanding, for the gold coin not gathered in by the government in its gold campaign is certainly not circulating very openly.

Employment Is Better

Significant monthly business indicators now made available merit attention in gauging the progress made since the first of the year. Most important, perhaps, are the employment and payroll records from a number of scattered states. But it's the same general picture, whether it covers New York or California. January showed a slight seasonal decline on the whole, but the spread over a year ago is substantial.

Department Stores Gain

Final confirmation of the widespread weekly flashes on retail trade revival is supplied by the regular department store summary of the Federal Reserve Board. Dallas heads the list with a 36% increase in dollar sales over a year ago. Cleveland's reserve district follows with 33%; Atlanta, 28%; St. Louis, 25%. The Eastern districts of Philadelphia and New York foot the list with gains of only 12% and 13%. Compared with December, the adjusted index for the country shows a slight decline.

Living Costs Level

Living costs are rising very slowly compared with wholesale prices. The January compilation of the National Industrial Conference Board shows but a fractional gain, chiefly in food and sundry items.

Best reflector of better business conditions is the record of commercial defaults. After a heartening downward trend in 1933, January shows less than the customary gain over December and is 53% below a year ago.

To the Home Makers of America

Sugar and the Home

Sugar is a household necessity; its cleanliness, purity and price are of daily concern to millions of homes. Our refineries and products are the best in the World. We have performed the refining service through the years at low cost.

Expanded capacity a legacy of our War effort

During the World War, the industry went under governmental control as a patriotic service, expanding its capacity to care for the Allied nations. No provision was made by our Government to hold, through trade agreements, the Allied nations' business after the War. Since the War nations have by tariffs, bounties and other devices closed their doors against

American refined sugar, and by bounties on exports have displaced our refined sugar even in world markets.

Deliberate duplication in the Tropics

Due to a loophole in the tariff the domestic industry has been further imperiled by a deliberate Duplication in the Tropics of refining facilities long established here. Our Tariff and Colonial Policy encouraged the production of *raw* sugar in the Islands and protected its *refining* on the Mainland. The tariff loophole reversed that — clearly a mistake and a costly one. The extent of this duplication is shown by the following table of *refined* sugar coming into continental United States since 1925:

FROM	1933	1932	1931	1930	1929	1928	1927	1926	1925
Cuba.....	439,319	423,252	326,662	244,485	228,541	166,720	79,201	51,859	1,182
Puerto Rico.....	97,129	84,504	72,314	66,164	38,969	40,006	10,584	2,891	707
Hawaii.....	22,006	20,247	9,720	15,003	8,723	14,641	12,328	7,244	8,592
Philippines.....	61,752	52,794	32,009	25,197	8,396	7,103	1,836	4,000	2,647
Foreign.....	6,392	8,295	6,499	9,197	1,820	5,200	917	3,394	3,654
Long Tons.....	626,598	589,092	447,204	360,046	286,449	233,670	104,866	69,388	16,782

Tropical refineries hum. U. S. refineries work part time

The refined sugar brought in during 1933 was sufficient to supply 15,000,000 Americans, equivalent to more than the consumption of 21 states, and resulted in reduced refining in United States, dismissal of employees, reduced wages, and decreased purchases of supplies.

Tropical refiners naturally seek to perpetuate their duplication of United States refineries by a "quota" in the United States market!

But would it be fair to the domestic industry, their employees and stockholders, numbering tens of thousands? Would it be in the public interest? Would it square with American policy, old and new? The Philippines and Puerto Rico have been liberally treated and should be content to continue as producers of *raw* sugar, as originally intended. Would it be fair to give Cuba a "quota" on chocolate, or Italy on oranges and lemons, or Germany on shoes, or would it be fair to give Canada a "quota" on flour, or Holland on cheese? If not, why should the sugar refining industry be subject to such official treatment?

No justification for Cuba to duplicate domestic refineries

In 1920 the Tariff Commission pointed out that Cuba did not *refine* sugar, and so the 20% preference on Cuban *raw* sugar afforded protection to American refiners. This theory failed when Cuba built refineries. Cuba knew full well our tariff principle of providing a higher duty on an imported manufactured article than on the raw material imported for its domestic manufacture. Raw cocoa beans are on the free list but finished chocolate pays 40% duty. Raw silk is free of duty but silk itself pays 65% duty. And so generally. Cuban duplicators of domestic sugar refineries well understood that they had no claim on the United States market or households.

This advertisement is published in the public interest and support of employees, stockholders and supply firms throughout the country

United States Cane Sugar Refining Industry

Refineries in Massachusetts, New York, New Jersey, Pennsylvania, Maryland, Georgia, Louisiana, Texas and California

Foreign countries generally safeguard their refining industry from duplication even in their own colonies

This is true of Canada, England, France, Italy, Holland, Sweden, Denmark, Japan, Australia and generally throughout the World. Refining in country of consumption is the approved practice. Such is the practice in Canada, England, France, Holland, Japan and other countries, and always has been the practice in the United States. It has proven best for raw sugar producers everywhere. It has proven the best safeguard for the households rather than dependence on remote tropical refineries. There is no desire to hamper the progress of the Islands. It was the early establishment of the *refining* industry here that made possible the development of the *raw* sugar industry on the Islands.

Why we are advertising these facts to the Home Makers of America. Decision at Washington will affect Homes of Nation

We enter daily about 25,000,000 homes. Cleanliness, purity and prices are daily topics. If sugar prices are high the households look to us. If low, the sugar producers in the Tropics look to us. We stand between these two large groups, with a permanent relationship to both. Sugar refining and distribution, to be efficient in all respects, must be a large volume industry. In years of crop failure we search the World for supplies. In years of war we are vital to national defense. Anything which lessens our volume lessens our efficiency and increases our costs. The households of the country will be the first to feel the effect. United States sugar refiners now have the capacity and can employ labor if the sugar now refined in the Islands were refined in the United States.

We are advertising these facts so that the home makers of the country may know that our Federal Government at Washington has been asked by a small minority group of producers of the Philippines, Puerto Rico and Cuba to make a decision against the interest of our people in the United States.



Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—President Roosevelt reversed party policy and shocked Democratic graybeards in flatly demanding ship subsidies. He is disgusted with pretending payments actually intended to maintain a naval auxiliary fleet or build up American trade are for carrying mail. This is the first time since Confederate raiders drove the American flag off the sea that a straight ship subsidy has been possible. Formerly even Republicans, while favoring the subsidy, had to use a lefthanded method to get it on account of hinterland opposition to the word.

Airmail Action Premature?

Evidence multiplies that, for the first time since inauguration, Roosevelt and Farley in cancelling the airmail contracts have done an unpopular thing. Congress shows no sentiment for continued government operation. Public sentiment seems overwhelmingly for return to private contracts. The White House admits that its mailbag is split 50-50 between criticism and praise. It's the first time a Roosevelt move hasn't brought at least a 10 to 1 favorable response. The comedy of the MacCracken arrest plus the jar of what was interpreted as an Administration snub to Lindbergh contributed to the reversal.

Stock Exchange Regulation

As late as Wednesday the President asserted he had not even read pending bills to regulate stock and commodity exchanges, thus leaving the door wide open to acceptance of amendments. Actually, Washington has little doubt that there will be substantial amendments, probably on the registration feature and margin requirements, also on restrictions which, it is claimed, would hamstring banking operations.

New "Merit Clause"

The chemical code, just signed in Washington, has provisions retaining to the industry all its "constitutional rights." The same clause is being discussed for electric utilities and other coded industries. It was arrived at as a compromise when the chemical men persisted in demands for the "merit clause" that was written into the automobile code but eliminated from all others.

PWA's Bonds

PWA's initial offering of municipal bonds will be small but the consequences may be big. Ickes took this time to start selling securities purchased against public works projects because of the improvement in tone of

THIS WEEK

The White House airmail bag.

What Washington hears about unemployment insurance.

Another "Merit Clause"?

A 30-hour bill to get a 36-hour week.

a market that has been stagnant for years. The appearance of these carefully selected issues may give the market a further flip, but it may also hamper many cities in doing their own financing, no matter how slowly Ickes pushes out his holdings. PWA will have \$500 millions of these securities. Regardless of the assertion that no government guarantee is implied, investors are told that all bonds in the PWA portfolio were purchased only on recommendation of a recognized bond counsel and after expert scrutiny of the need and the financial, legal and engineering soundness of the improvements against which issued.

Fertilizer by July 1?

TVA's fertilizer demonstration plant at Muscle Shoals will hum by July 1. Meantime, state experiment stations in the Valley have been asked to determine whether new forms and combinations of fertilizer, produced experimentally and sent to them this week, answer soil needs in their states. Results will dictate the character of fertilizer to be produced.

Unemployment Insurance

Guarded inquiries from manufacturing and merchandising interests indicate concern over the possible cost of the Wagner compulsory unemployment insurance plan. Some seem to think it would add considerable to production and handling charges, leading to increased buyer resistance.

Regimented Farmers

Secretary Wallace, reluctant to adopt compulsory crop curtailment, is being pressed by those who feel the possibility of voluntary agreements has

been exhausted. He is credited with explaining his change in view on the ground that he went to compulsory methods only because the farmers themselves want them. Talk at once arises about "regimentation of agriculture." Wallace is sending 40,000 more questionnaires to farmers.

30-Hour Week Bill

The 32-hour week idea has gained strength; but NRA, realizing practical difficulties, implies a willingness to stop part-way—at a 36-hour requirement. The drastic Connery bill, calling for 30 hours, is being pushed a little so that the less drastic and real wishes of the Administration will seem more palatable.

Sugar for Everyone

The new sugar plan is an attempt to please everybody with a prospect of no success. Tariff Commissioner Coulter was the goat on the last plan when AAA declined to sponsor the results of his protracted inter-industry negotiations. The President and Secretary Wallace seemingly still wish someone else to bear the responsibility for policy decisions; hence Congress is asked to legislate.

The President's Barn

Roosevelt's story about his barn illustrates his views on tax dodging. The barn was 120 years old when he bought it. He insured it for \$4,000. From 1913 to 1928 he deducted 2½% to 3% of this amount annually as depreciation, for income tax purposes. In 1928 the barn burned and the insurance was collected. To the President this demonstrates the utter fallacy of the present theory of depreciation.

Texas Oil

The Texas district court decision that non-signers engaged in intrastate business are exempted from the penalties of the oil code is a large and well-placed monkey-wrench in the oil code machinery. It is likely to delay action on the marketing agreement, too, just when the companies concerned had about accepted the Administrator's revisions.

Russian Trade

A grand free-for-all is in prospect when the batch of orders for Russian purchases alleged to have been brandished around before the hungry eyes of exporters is made public. More accurately, when it is discovered how Russia expects to pay.

Everybody with anything to sell Russia will be enthusiastic about the Export Bank. Everybody who competes with products that Russia intends to export will be waving an ax.

REO GIVES YOU MORE TRUCK PER DOLLAR

With These 15 Superiorities Reo Challenges the Field for Low Cost Truck Performance

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| 1-Highest Quality at Low Prices | 8-2 Speed Gasoline-Saving Axle Unit |
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| 4-Counterweighted Crankshaft | 11-Long Springs |
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| 6-Full Pressure Lubrication | 13-Unusual Payload Capacity |
| 7-Full Floating, Steel Housing Axle | 14-Exceptional Loading Space, Properly Balanced |
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Reo Speedwagon

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F. O. B. LANSING, PLUS TAX
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REO has been in business long enough to know that a truck should be a truck—not a mere assembly of passenger car parts.

Check the present line of Reo Trucks and Speedwagons against anything in the market. You'll find Reo uses *Gold Crown Engines*—Engines that deliver *real truck performance*. You'll find truck frames, truck axles, truck transmissions, truck tires, truck brakes.

Trucks all the way through—built of materials carefully selected for better wear and longer life.

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WRITE today for illustrated booklet of comparative specifications and details of the 15 reasons why Reo challenges the field for low cost truck performance.

in terms of *torque* at usable highway speeds—instead of unusable horsepower available only at impractical road speeds.

New low prices are now in effect—and Reo today actually gives you even more truck per dollar than ever before!

Never have Reo Trucks and Speedwagons been so perfectly balanced for exceptional service in ALL phases of hauling. There are not simply one or two outstanding features in a Reo—*fifteen major features* that PROVE its all-round superiority!

Certainly it is unnecessary to pay more than the price of a Reo. And, in the opinion of many a shrewd buyer—unwise to pay less!

Reo Speedwagons and Trucks range from 1 1/2 to 6 tons. Price range—\$595-\$2,595. 34 wheelbases, 6's-8's. Tractor-Trailer units from 15,000 to 32,000 pounds, gross. All prices chassis f. o. b. Lansing, plus tax.

TRUCK BUYERS— ATTENTION!



The new Reo built gasoline-saving two-speed rear axle unit gives you the equivalent of two motor sizes. Greater flexibility and economy for all types of work. Available at only slight extra cost.



The Reo Truck Performance Gauge gives the exact answer as to the truck best suited for your job. Before buying a truck, ask a Reo salesman to use this Gauge in determining your particular requirements.

REO MOTOR CAR COMPANY LANSING, MICHIGAN



BUSINESS WEEK



BUSINESS WEEK

FEBRUARY 17, 1934

Airmail Setback

Roosevelt abruptly cancels airmail contracts, arouses much criticism. New private contracts on basis of pound-mile payment forecast soon.

WASHINGTON—Dramatically, and there is some reason to think impetuously, President Roosevelt cancelled all airmail contracts Feb. 9, announced that beginning Feb. 19 the army would fly the mails. To be technically accurate, it was the Postmaster-General who cancelled; actually the decision was Roosevelt's.

Both of them were disagreeably astonished at the country's reaction. Most important point, it quickly became apparent that there was no sentiment in favor of government operation of airmail lines. Senate and House were pretty much a unit on that. There was evidence to indicate, too, that the public did not think well of the idea. Second point, it became evident that the summary treatment of the aviation companies was not too popular.

A New Experience

The President got that reaction in a striking manner. Colonel Lindbergh telegraphed a protest to the White House. Steve Early, a Roosevelt secretary, undertook, whether by instruction or on his own initiative, to rebuke Lindbergh. The repercussions were unpleasant. Early himself admitted that half

the messages that came to the White House were friendly to the Lindbergh protest and critical of the President. That was impressive, for until now, the President never has done anything that didn't score far higher than that. In fact, he is pretty much used to overwhelming approval.

The attitude of protestants was that Lindbergh had put it well when he pointed out that the mail contractors were being condemned and destroyed without a hearing, and without discrimination among them. Not all of them had been smeared in the Black committee hearings; they were entitled to a day in court, particularly because the cancellations seemed equivalent to a death sentence. No first-rate air line can live without mail revenue, and the law said contractors would not be allowed to bid again for 5 years if their contracts were cancelled.

The effect of this reaction was quite apparent. The President, who on Feb. 9 rather gave the impression that government operation of airmail lines might be a permanent thing, was pretty sure on Feb. 14 that it was a temporary affair.

Administration officials were giving private assurances that the evidence before the Black committee was by no means the sole basis for the cancellations, and saying that better grounds soon would be made public. The Postmaster-General, it was further said, was carefully weighing the pleas of various companies for individual exception to the order. That didn't quite check with statements of air line operators that they couldn't get interviews, or any kind of hearing.

Manner Criticized

Pending complete disclosure of the Administration's reasons for the abrupt and drastic step, there was a disposition to withhold judgment as to the merits of cancellations. But, said thoughtful critics, it would be hard to find justification for the way the matter was handled, no matter what the grounds. There were several better ways it might have been done to get the same result—that is, if the result desired is to get rid of contracts tainted with fraud or collusion. Admitting that many of the airmail people behaved badly and foolishly, in their maneuvers over files, and attorneys, and papers, still it wasn't fair to crack down on all of them without discrimination, and without a chance for defense.

Most disquieting of all was the impression created in some quarters that the President had here shown an impetuosity that might, if it cropped out again elsewhere, be highly dangerous. Not that the airmail affair itself is a small matter; there are a good many



Wide World

CALLING OUT THE ARMY—The Airmail Coordinating Board works over plans for the Army's entrance into the airmail business. Left to right: Gen. Frederick Coleman, chief of finance; Harlee Branch, Second Assistant Postmaster-General; Major-General Benjamin D. Foulois, chief of Army Air Corps, and Eugene L. Vidal, director of aeronautics of the Department of Commerce.

millions of dollars invested in the lines. Insiders may have cleaned up in stock deals; if they did cash in, that merely means that innocent members of the general public are the owners today.

The most convincing explanation of the President's action so far offered is this: He has a genuine and quick indignation that is aroused whenever there is any evidence of graft, not merely graft in government, but graft in business. For instance, he was highly indignant at some of the revelations of bankers' personal dealings. He has, also, a definite conviction which dovetails with this personal indignation, that it is good politics always to strike first whenever scandal develops, rather than let critics or opponents capitalize the situation. This time, even good friends think, he struck too quickly and too hard.

This explanation has been advanced both by friends and by opponents of the President, which helps make it plausible.

New Contract Plan

Predictions in Washington are general that as gracefully as possible, the Administration will now retreat. *Business Week's* forecast is that private companies will be flying the mails again very soon. Some of them will be the former contractors, perhaps under some kind of reorganization, and certainly under a different form of contract.

The new contracts are likely to be the kind favored by James M. Mead, chairman of the House Postoffice Committee. Even before the old contracts were abrogated, Mead was planning a change in the system of airmail pay. He wants an airmail rate of 5¢ for the first ounce or fraction of an ounce, 5¢ an ounce straight thereafter. He would have a 2¢ air postcard and a 3¢ "aerogram," a kind of envelope, very light, with the message written on its inner surface.

Then he would pay the air carriers strictly on a pounds and miles basis; he suggests a flat rate of 5 mills per pound-mile for the first 25 lb., 2½ mills for the next 25 lb., and 1 mill per pound for the rest.

There is strong reason to believe the Administration will come around to this plan.

Paying Own Way

Airmail payments have been costing the government \$14 millions a year. It is estimated it would cost the army \$30 millions to do the job; the army, of course, would have no passenger revenue. A Congressional committee after long study arrived at the estimate that on airmail the government averages 2 mills per pound per mile in postal revenues over and above the cost of handling it on the ground. The two largest airmail carriers, Transcontinental & Western, and United, are paid from 1½ mills to a shade under 2 mills. In other words, their mail service is paying its own way. These two lines carry

three-fourths of the total airmail; get only one-half the postoffice payments. They have been ready for a long time to go on a pound-mile system of payment.

But it is the smaller lines which get the subsidies. They don't carry enough mail to bring the cost per pound down. On these lines, costs to the government run up above 2¢ per mile per pound.

Aviation men snort when payments

to such lines are referred to as "subsidies to aviation." What they really are, airmen insist, is subsidies to certain towns whose Senators or Representatives have been able to apply enough political pressure to get airmail service. There was a time when there was airmail service to 47 states. It touches 45 states now—and many of the lines have no economic justification.

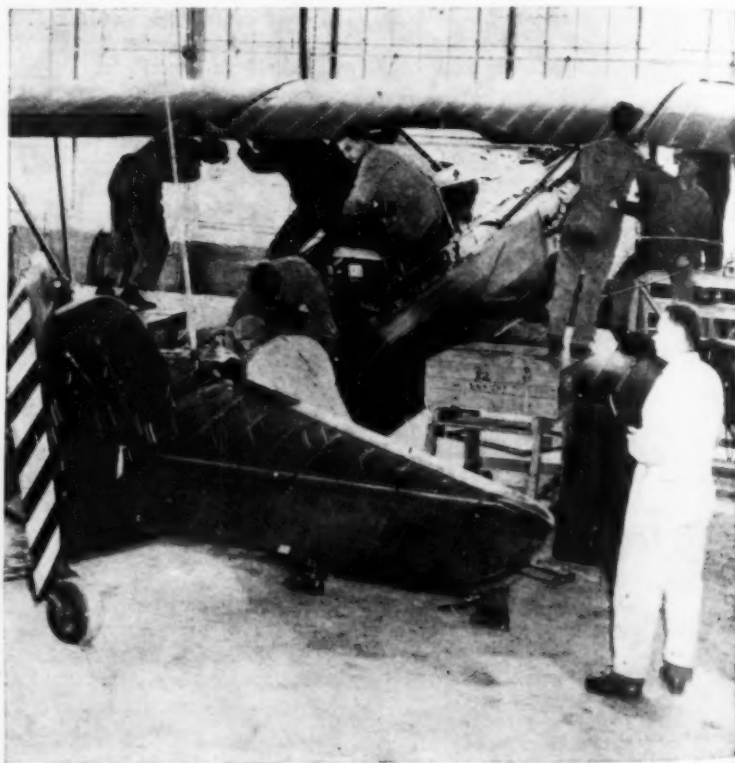
Exchange Regulation

Fletcher Bill's restrictions on the security exchanges will probably be eased down before enactment.

Senator Fletcher (Fla.) has apparently drawn his bill regulating stock exchanges to allow for plenty of hoss trading. Egged on by Senator Couzens (Mich.) he has made it so drastic that it is generally felt to be impractical. It may be assumed that the bill will not pass as it now stands. But it also seems a fair assumption that the form of control that the stock exchanges eventually get will be more severe than that proposed by the Roper Committee.

The Roper Committee, perhaps as a result of the many conferences held with stock exchange officials, had a dif-

ferent idea on the problems that a regulatory body would face. It took the position that the rapidity of change in the security markets called for flexible control by an Authority that had no other duties to distract its attention. Senator Fletcher believes in having the rules set down in black and white and in turning the duty of enforcing these rules over to the Federal Trade Commission. To Wall Street interests, this choice seems a poor one. Their complaint is not only that the commission has been the chief agency attacking big business but that it has failed to handle



MAIL BY ARMY PLANES—Can Army men and planes go commercial and maintain efficient mail service? Mail flyers say the planes haven't the space nor the pilots the experience. Meanwhile Army mechanics refit the planes to carry the mails until new contracts can be written.



ON TRIAL—William P. MacCracken, Jr., Assistant Secretary of Commerce in the Hoover era, follows his attorney, Frank J. Hogan, into battle against Senate charges of contempt in the airmail investigation.

the work entrusted to it expeditiously. Things move too fast on the Street to permit waiting two or three years for a decision.

What the Bill Wants

The Fletcher regulations would see that the public was protected by: (1) registering all exchanges and all securities traded on these exchanges; (2) limiting the amount that could be loaned by exchange members, banks or others upon these securities to 40% of the current market price or 80% of the lowest price reached in the preceding 5 years, whichever is higher; (3) prohibiting wash sales, matched orders etc.; (4) stopping the dissemination of misleading information or tips; (5) controlling short selling and stop-loss orders; (6) demanding full information from corporations having securities registered with statements on trades in their securities by officers, directors and large stockholders; (7) granting wide powers to the Federal Trade Commission to govern exchanges, over-the-counter markets, corporation reports and the general procedure of trading.

Objection has been raised to the way in which the rules reach out from the

stock exchanges to control banking and the actions of corporations. Section 7, for example, makes it unlawful for any exchange member to borrow on any registered security from any person other than a member bank of the Federal Reserve system. If the committee wishes to deny non-member banks the right to make brokers' loans, say the critics, why not place the legislation in the banking act where it belongs? Similarly, the attempt to rule upon the amount that a bank may loan upon a security raises the argument that this is interference with credit policies—and credit policies should be centralized with some banking authority, not with an exchange authority.

See Listings Cut

Further questions are prompted by the provisions specifying action to be taken by corporations having securities—either stocks or bonds—listed on an exchange and placing restrictions upon transactions by directors, officers or any stockholder owning more than 5% of any class of security. Wall Street, of course, says that these restrictions will persuade companies to give up listings, which will make their shares less easily salable, and will remove them from the control now exercised by the stock exchange itself. Finally, Washington is hearing that the bill would serve to freeze the securities markets, leaving them in the situation of the mortgage market, and that this, in turn, would tend to freeze the banks and the insurance companies.

On the other hand—as pointed out by Representative Rayburn (Tex.), who has an identical bill before the House Committee—there has been a strong conviction among well-informed people that some degree of stock exchange regulation is badly needed. President Roosevelt still favors such legislation, but he has apparently purposely avoided reading the proposals now before Congress, implying a willingness to listen to amendments. Even Trade Commissioner Landis hedged a little when asked whether the bill represented the opinion of the commission, and added, "I believe the stock exchanges should be given as much self-regulation as possible." House majority leader Byrns was more outspoken and predicted that the bill would be substantially modified before it was passed by Congress. He also said that it was not an Administrative measure.

Room for Compromise

From these statements it would seem that the bill was purposely made drastic in order to appease those who are crying for a punitive measure. Also, the proof of unworkability and unreasonableness is now thrown upon the brokers and exchange officials. If and as proof is forthcoming the committee is expected to back down step by step

until the most stringent workable bill is found—the one that will go farthest in protecting the public without injuring recovery or freezing the banks.

Deposit Insurance

Congress talks of retaining the virtues of the temporary deposit insurance plan, working kinks out of the permanent scheme.

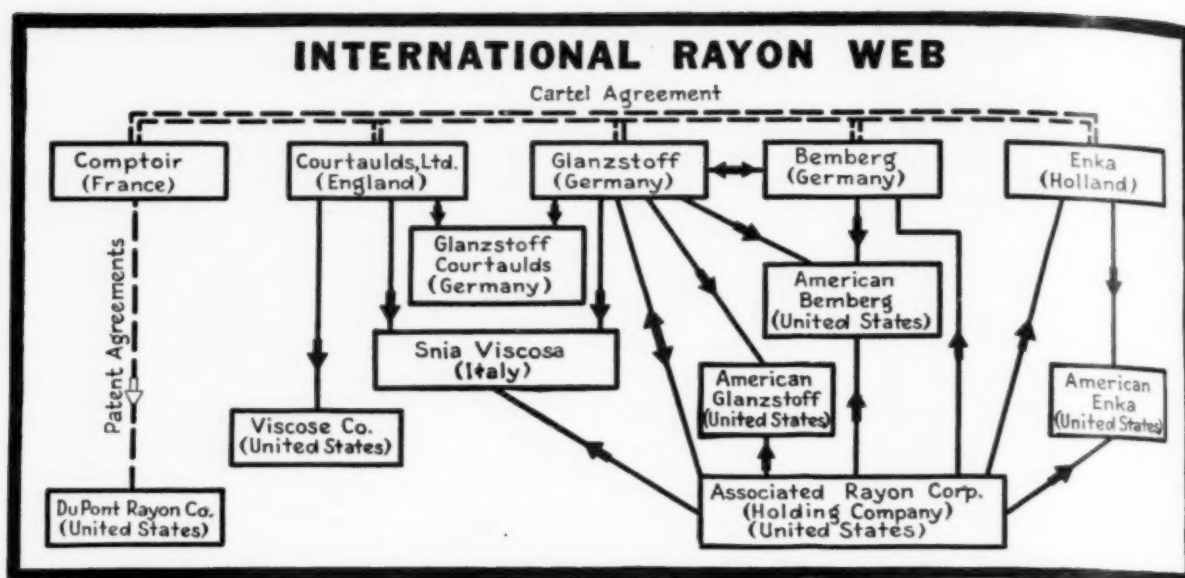
THE new deposit insurance plan now being discussed in Congress is one of those rare compromises that seems to please everyone. It clings tightly to the insurance features that have proven most helpful in bringing deposits back to the banks. But it would not impose the so-called permanent plan that was to have become effective July 1. It would give a year's time to further study of the temporary plan in actual operation, for the gathering of better actuarial data, for the drafting of more workable legislation. And it would tend to heal the widening breach between the banking commissioners of certain states and the Federal Deposit Insurance Corp.

Recent surveys have made it increasingly obvious that there was lots of dynamite packed into the permanent plan. Instead of guaranteeing strength to the banking system in time of stress, it would drain the reserves of the sounder banks when most needed.

Most Depositors Protected

Senator Vandenberg (Mich.)—author of the deposit insurance amendment—has been watching developments carefully. He has obtained figures from FDIC showing that 97% of all depositors are protected by the \$2,500 limitation of the temporary plan. Also that this 97% hold only from 36.1% of the country's total bank deposits. In other words by advancing into the higher brackets as proposed under the permanent plan there would be just a small increase in the number protected but a big increase in the hazard to the fund. It was also pointed out that FDIC could raise over \$1.7 billion from the subscriptions already made to its capital stock and from its present rights to borrow on notes and debentures. At the \$2,500 limit, this fund would be ample. It is only when insurance is extended into the higher brackets that the much-criticized blank check idea of unlimited assessments becomes necessary.

The stand taken by certain states—notably Connecticut—making it illegal for state banks to subscribe to the permanent plan, was also influential in convincing the White House conference that it would be unwise to force adoption of the permanent plan on July 1, that the most satisfactory step would be to continue the temporary plan until June 30, 1935.



CLOSE WEAVE—Most of the American and European rayon producers are interconnected by an intricate pattern of stock interests or patent arrangements. Important strands lead back to the European cartel. There are independents outside this fabric.

Rayon Meets a Ghost

Stepping down the road to recovery, rayon makers run into an anti-trust law suit and have no trade practice rules to exorcise it.

INDUSTRIAL drama is promised when the Federal Trade Commission stages public hearings on the rayon case. The complaint, sleeping in the files of the commission since 1931, has suddenly been dusted off and filed against a group of the largest rayon producers in the world. It charges them with combining and conspiring to form a price-fixing monopoly in the sale of their product. And, beyond that, it alleges that the producers have refused to sell yarn to knitters who did not agree to collect certain fixed prices for the resultant finished goods. This seems to be the major point in the case. The knitters apparently have less objection to uniform prices for the fiber than to anything that looks like cutting off their raw material supply.

Price-Fixing Charged

A little more specifically, the Federal Trade Commission says that it has reason to believe that the Viscose Co., duPont Rayon, Tubize Chatillon, Industrial Rayon, American Glanzstoff, American Enka, Skenandoa Rayon, Delaware Rayon, Acme Rayon, Belamose and the copartners of the accounting firm of Price, Waterhouse & Co. have been and are using unfair methods of competition. The complaint mentions price-fixing on viscose yarn and rayon cloth, refusal to sell to recalcitrant knitters,

limiting production, hiring the accounting firm to inspect books of the various members of the group and determine rates of operation, stocks on hand, sales prices, and the names and addresses of customers. And it alleges that Industrial Rayon entered the manufacture of knitted cloth to punish cloth price-cutters by taking their customers away from them.

The producers have not replied as yet to the complaint. Answer is not required until Mar. 9. But a general denial would not be unexpected, for certain rayon manufacturers insist that the whole trouble is just a repercussion of a case brought by Arcadia Knitting Mills against Viscose Co. Arcadia was the largest maker of knitted rayon cloth in the country and, as such, was presumably in a position to ask for quantity discounts on yarn purchased from Viscose Co. Then, in 1931, there were differences—over terms or payments—and Viscose balked. Arcadia sued for fulfillment of contract and its case is still pending in the courts as the Federal Trade Commission comes into the picture.

Outside all the allegations and counter-allegations, it is obvious that there has been a decided similarity in quotations for viscose yarn. In the long downward revision of prices and in the

upturns of 1932 and 1933 all producers revised their lists by practically the same amounts and at practically the same times. But throughout the period, and particularly when trade was slack, there was a lot of sub-rosa price-cutting. So the similarity in the list figures has not been very important.

Price-fixing of yarn should be a simple matter—except for the anti-trust laws. Production of viscose yarn in this country is in the hands of a relatively few companies. The 10 concerns listed in the complaint produce substantially all that is made here. Most of them are owned or controlled to a greater or lesser extent by foreign rayon producers who are interconnected by stock ownership or trade agreements. This European cartel is in a position to dominate the world's rayon industry.

Knitters' Output Lags

Price-fixing of the finished goods is another matter. There are a good many independent knitters and the competition among them runs strong at times. But knitting, as measured by the amount of rayon consumed, has shown little growth since 1929—a period in which weaving has gone ahead by leaps and bounds. The knitters claim that the reason for this is that they have not been able to get enough raw material. They point to the largest concern in the field, which used to turn out some 12 million pounds a year, but last year was able to knit only 2 million pounds. The rayon producers disclaim any responsibility. It's all in the trend toward woven goods, they say.

So, too, the entrance of Industrial Rayon into the knitting field, instead of being a threat against the independent

knitters, is explained as part of a growing trend. The industry is beginning to integrate. Tubize has also started to knit its own fiber and Celanese in the acetate rayon yarn field has been turning out woven goods. This move into manufacturing by the producers is in part, of course, to get as much of the profit as possible. But to an even greater extent it is due to a desire to experiment in new materials and designs—to widen and stabilize the market for rayon goods and thereby for rayon itself.

The anti-trust law battle cuts across a rayon boom; 1933 was rayon's banner year. Production, mounting to new peaks after the banking holiday, lifted the year's output to a record high. The figures, as shown by *Textile Organon*:

Domestic Production
1,000,000 lb.

1913	1.8
1923	34.5
1928	97.2
1931	150.9
1932	134.8
1933	207.6

So great was rayon consumption in 1933 that, for a considerable period, no yarn was available for spot delivery.

This swing to rayon was in part due to the amazing expansion in the demand for woven goods, in part to the very moderate increase in rayon prices as compared with the jump in competitive fibers. Mills turned to rayon to offset higher costs under the textile codes. And with greater consumption came greater profits. Industrial Rayon closing

1933 with the largest earnings in its history is illustrative of the industry as a whole.

From the political angle—and politics have an important role in this case—it was smart of the Federal Trade Commission to select rayon as the opening test of an extended anti-trust campaign. A victory can meet the criticisms of Senator Borah and other monopoly-hunters without upsetting the NRA appellation. The rayon code is confined to regulation of wages and hours. It

contains, as yet, no rules of fair practice. Whatever the producers may have done or not done they cannot fall back upon code sanction. The issue is clear-cut—did a conspiracy exist or not? O. Max Gardner, former governor of North Carolina and legal advisor of the synthetic yarn industry, says it did not. But ex-brain-trustee A. A. Berle, heading the knitters' legal staff, is equally positive that it did. The public is leaning back in anticipation of a first-rate performance.

Sugar Plan

More money for Cuban and domestic growers, no higher retail price, is the ambitious idea of the Administration sugar control bill.

WASHINGTON—After long delay, the Administration now is in a great hurry to put sugar on the same footing with regard to benefits as cotton, wheat, and other crops. The Administration bill was introduced in both houses Monday; hearings began promptly.

The bill makes the Secretary of Agriculture czar of the industry. Refiners and handlers are to be licensed; there are penalties for overproduction—\$5,000 fine, 3-year prison term.

The plan is "an attempt to please everybody," according to one official, who naturally wasn't talking for publica-

tion. That gives a clue as to its chances for real success. Here are some of the things it tries to do:

(1) To solve the Cuban problem by raising the price of Cuban raws to a profitable level. This to be accomplished by a 0.47¢ per lb. reduction in tariff.

(2) To discriminate in varying degrees against Porto Rico, Hawaii, and especially the Philippines.

(3) To prevent a rise in domestic retail prices. It is provided that the processing tax shall in no case exceed the reduction in tariff. It would be awkward to have farmers asking why AAA raises the price on the one commodity every farmer has to buy.

(4) To secure adjustment of the sugar tariff without opening up the whole tariff question.

(5) To sock refiners, and at the same time boost the domestic beet growers and the Louisiana cane growers. Beet growers are to get \$6.25 a ton in benefits for crop reduction, cane growers \$4.68 a ton.

Refiners and handlers get no benefit from the processing tax, but they will cut their Cuban sugar tax by the 0.47¢ reduction in duty.

Beet Interests Will Fight

Many amendments will be proposed. The beet sugar industry is going to fight to get its bumper crop of last season, 1.75 million tons, made the measuring stick instead of the 5-year average set as the quota of 1.45 million tons. Louisiana complains that its quota has been set on recent averages which were severely cut down as a result of flood damage.

It looks like the third triumph for the powerful Western bloc of Senators that already has achieved monetization of silver, and a reclamation program that promises eventual new crop production greater than any crop reduction AAA has been able to work out.



SHOCKLESS WRENCH—The Pott Impact Wrench, developed by Holsclaw Brothers, already in use on automobile production lines, runs at constant speed, tightens nuts through a patent-pending rubber accumulator without shock to the operator. The energy is applied in the form of hammer blows.

Business Week

First Streamlined Train

Union Pacific uses streamlining and light-weight construction to gain high speed at low cost.

EARLY last year, executive officers of Union Pacific had decided in their own minds that "to save and restore passenger business to the rails would necessitate the development of a radically different type of passenger equipment." E. E. Adams, vice-president in charge of engineering (since elected vice-president of Pullman) went to work on the matter, under the direction of C. R. Gray, president, and W. M. Jeffers, executive vice-president of U.P.

Late in May, Chairman W. A. Harriman announced that Union Pacific had contracted for a light-weight, high-speed train (BW—Jun 10 '33) capable of profitable competition with air transport.

Something New

Last Monday, officials of the Pullman Co., the Winton Engine Corp., the Aluminum Co., and the Union Pacific congratulated themselves with appropriate ceremony as the M-10,000 rolled out of the Chicago yards ready for service.

The new train, first of its kind on the rails, fulfills the expectations aroused by its announcement, leaves far behind the traditions of the crash-bang school of railroading. It is light in weight, streamlined in contour. It is these new qualities in railroading which make possible the new low cost per passenger mile which is the real point of the situation. Speed isn't anything in railroad circles: trains have been run before at speeds comparable to the 90-mile-an-hour cruise

ing speed of the new train, but at a tremendous cost. Speed, with economy, is what is needed.

Pullman has saved weight for the Union Pacific by building the new train of aluminum alloy, so that the 3 cars weigh only 85 tons, about as much as one modern Pullman sleeping car. The streamlines came from the wind tunnel of the University of Michigan. Tests show that the new train needs but 500 of its available 600 hp. to drive 116 passengers, the train crew, and 25,000 lb. of mail and baggage at 90 m.p.h.

Cars are approximately tubular in cross section, constitute a deep stiff beam replacing the usual frame construction. Between the inner and outer skins of aluminum plates is 2 inches of Rokflos, a new insulating material which is fire-proof, light, insulates sound and heat.

Low Center of Gravity

The whole train, power-mail-baggage car and two coaches, is only 204 ft. long, rides but 9½ in. over the roadbed. The top of the cars is 11 ft. above the rail, about 2 ft. lower than usual practice. Passengers ride 16 in. nearer the roadbed; the center of gravity is 20 in. lower than that of conventional trains.

Resilient wheels having been so far applied mostly to cars for lower speeds, the standard wheel is used, but trucks are mounted between cars, articulated. All axles have roller bearings.

Right up in the nose sit the engineer

and motorman, or whatever the modern equivalents of the engineer and fireman are to be called. Above them is the powerful headlight, shining straight up as well as ahead to mark the train's swift approach. Below them is the wind-splitting blunt nose of the monster, with flaring nostrils to catch the air for cooling the engine and ventilating the whole train. Behind and below them is the V-12 Winton distillate burner especially built of welded wrought steel, with no cast-iron except the cylinder sleeves. This is connected with the Westinghouse generator which drives the General Electric motors on the forward truck. Under the floor are tanks for fuel sufficient for 1,200 miles. Coal burners carry enough for only 100 miles.

Smoking Anywhere

Passengers board the train through doors streamlined into the body when closed, synchronized with steps and trap when opening. Inside, they find seats in pairs, of the individual reclining type. The windows, of shatterproof glass, will never be opened, all cars being air-conditioned winter and summer. Ventilation is so good that smoking is permitted anywhere. Lighting is indirect, with three intensities, the lowest for use when passengers are sleeping. Decoration is simple, quiet, running to blue and aluminum. Window sills are black Bakelite. Each seat is adjustable to four positions, has a foot rest, takes a tray for meal service or writing. Luggage goes under the seats.

Back in the tail of the last car is a buffet kitchen, triangular in shape, with a counter across the front for drink service. A little steam table on wheels is used in serving passengers at their seats. China is a special plastic, very light yet strong. The whole dining service is only 189 lb.; the same service in standard china would come to 530 lb.

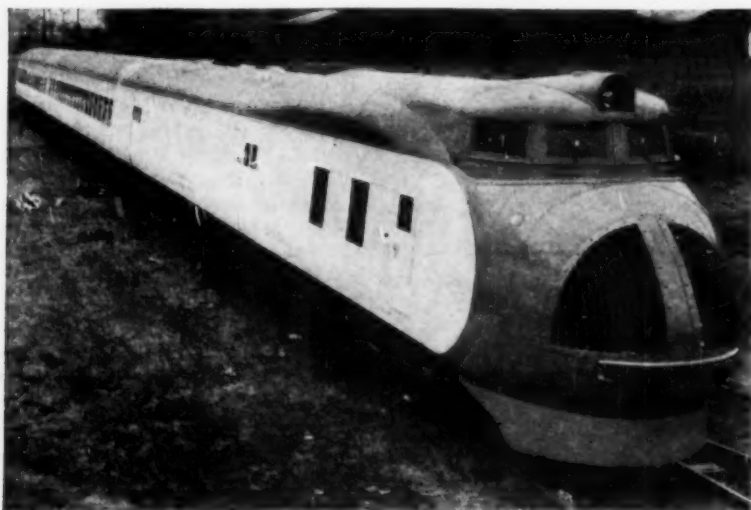
U.P. has ordered another train, of 6 cars, to be powered with a 900 hp. diesel, with 3 Pullman sleepers.

Heat-Stopper

Corning's new glass filters out the heat, lets light through.

ONE of the biggest barriers to development of air-conditioning may be removed by the new types of glass just announced by Corning Glass Works.

The new glass, christened Aklo, has the unusual property of transmitting 70% of the visible energy in the sunlight which strikes it, but of holding back the heat rays so that barely 30% of them pass through. Thus the Aklo window pane brings in the wanted light with a minimum of the summer heat. Energy in summer sunlight is distributed with roughly 44% in the visible region, 4% in the ultra-violet, and 52%



U. P. FLYER—The first of the streamlined trains, built by Pullman for Union Pacific. Light in weight, economical in gaining its high speeds, it puts the rails into competition with the airways by providing space as well as speed, lowering the cost per passenger-mile. Another train, 6 cars, with sleepers, has been ordered.

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Sherlock Holmes as characterized by Clive Brook

We offer a NEW STYLE detective service

A DETECTIVE SERVICE for the elevator owner. A service that ferrets out trouble, not after, but *before* it has happened and prevents it from occurring. A service that protects passengers and tenants from annoyance, and building owners from unnecessary expense.

This service is Otis Elevator Maintenance. It places the elevator in the hands of men who give their full time to elevator care — men who have to maintain the reputation of the largest manufacturer of elevators.

Under Otis Maintenance, an elevator is examined regularly and carefully. All the moving parts are

adjusted. Its system of electrical control is checked. The cables and brakes are tested. Worn parts are replaced before they give trouble.

Under Otis Maintenance, the elevator does more than just go up and down. It operates smoothly and silently. It is responsive to signals. It saves time. It gives its best in safety, operating economy, and passenger satisfaction. The local Otis office will give you further details of this Service which is available for a reasonable, flat monthly rate.

OTIS ELEVATOR COMPANY



WEYERHAEUSER HOUSE—The great northwestern lumber company's venture in pre-fabrication takes only three weeks to erect—and after the first five days, most of the work can be done under cover—with the roof on and the heating plant working. Wall panels and ceilings are of Douglas Fir plywood, lacquered and waxed. The outside finish is cedar, nailed with copper, finished with marine varnish like a yacht. Balsam wool furnishes insulation. Pipe and wiring are ready-cut. Over 100 plans have been developed, from auto camp to 2-story home.

in the infra-red or heat rays. The air-conditioning bills, in the case of Aklo-glazed houses, will be lower (by up to a half) because heat doesn't come through windows.

Since some users of Aklo may object to the pale greenish hue of the highest efficiency type, an Aklo window plate has been made in cooperation with Libbey-Owens-Ford. This has nearly the natural plate-glass color, isn't quite so efficient.

Aklo glasses may be used for heat screens around interior lights which are large enough to warrant the use of special ventilating ducts to remove the heat from the room.

Corning is also now showing a new opaque heat transmission glass. In thicknesses of about $\frac{1}{8}$ in. it passes no visible light, but transmits 40% of the heat rays, which makes it useful in special therapeutic lamps where heating without light is desired.

Florida Perks Up

Southern resorts crowded and cruise ships are packed as America revives the winter vacation.

WINTER vacationing, almost a lost art in recent years, is bounding back almost to boomtime proportions.

To bewildered Florida it looks like the best year since the real estate mania of the middle twenties. (Not that this year's crowds are buying any lots.) Boats are cruising to the West Indies and Bermuda with bulging passenger lists. Cruises to the Mediterranean and other winter regions are in the money, some for the first time in years. And railroad and airplane lines serving the South cheerfully admit they have a hard

time recalling when business was brisker. All this is taken as proof of better times, and of confidence in the future. For if ever a good business barometer existed, pleasure travel probably is it. Low rail fares and a hard winter have helped Southern business, so also has the cheap dollar.

Winter resort hotels as far west as Corpus Christi, Tex., are doing from 50% to 150% better than a year ago. In much of Florida, Miami Beach especially, hotels are overbooked and many are not accepting reservations for the

rest of the month and even into March. This includes both the "smart" hotels and those less conspicuous ones filled with quiet people who really go South for a rest. Hotel rates are stiffer than last year, but nowhere near 1929 levels.

Crowded Trains

Railroad men are particularly enthusiastic. Officials at the Pennsylvania Railroad Station, New York City, say Florida traffic is almost equal to the peak years of 1926, '27, and '28. The Seaboard Air Line reports that the Orange Blossom Special, serving Florida, had a 200% increase in passengers in January.

The Atlantic Coast Line railroad has run 2, 3, and more extra sections daily on its Florida Special, ace train, since the season started Jan. 2. It recently took 30 extra cars in one day, and the Thursday before Lincoln's Birthday pulled south in 5 sections.

Eastern Air Transport, Inc., reports New York-Florida business on its planes is running at full capacity, with many special through trips. Bookings are running fully 4 times last season's.

The Middle West likewise tells of large increases in Southern traffic. The Floridan, de luxe Illinois Central train, has left Chicago in 2 sections twice this month; that wasn't done even once in the last 3 years. Since Jan. 1, passenger travel to the Gulf states on the I.C. has shown 50% increase over a year ago.

Cleveland and Detroit are sending heavy trains south; it is not unusual to run extra cars.

Not everyone goes by plane or de luxe train; Greyhound Bus Lines show 50% increase in Florida travel out of Detroit over January, 1933.

Wall Street South

With a wistful, if sly, eye on this exodus of moneyed people to the Southland, Wall Street was quick to act. Member firms of the Stock Exchange opened 13 branch offices in Miami during January as against but 6 for 1933.

Not much interested in brokerage branches are thousands of flivver tourists, living this winter in central and northern Florida for as little as possible.

Midwest and Eastern department stores show considerably improved sales in resort apparel, both for Southern wear and winter sports. Luggage of all types is in big demand. And in New York, cruise clothing for both men and women is finding an enlarged market.

All this has not been at the expense of cruising.

"The biggest January we've ever had!" says the Furness-West Indies Line. The Furness-Bermuda Line for January of this year reported passenger sailings to Bermuda as being 135% above the first month of 1933.

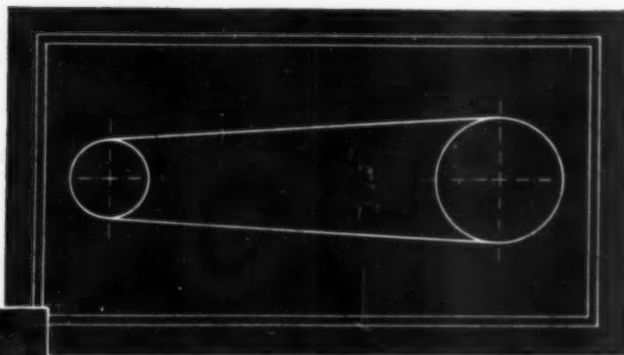
While the Cuban situation has discouraged visits to Havana, still plenty of people like the West Indies. National Tours, Inc., reports good sailings.

CUTS HIS BELT COST 50%

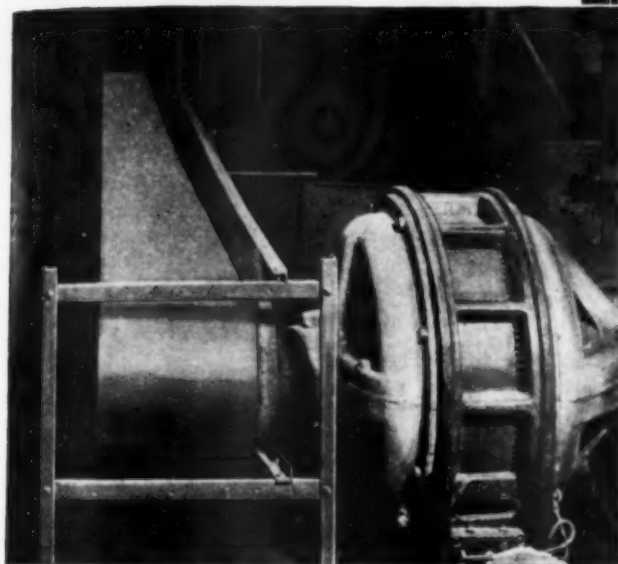
Had lost 1 or 2 hours out of 24 splicing or repairing other belts

G.T.M. SAYS "THOR"

And now 24 hours every day this mill gets 3 to 4 years service from Goodyear THOR-belted beater drive



On this belt-eating drive the Goodyear G.T.M.-specified endless THOR Belt did 50% better



Goodyear THOR-equipped Beater Drive at plant of American Asphalt Roof Corporation, East St. Louis, Ill.

HE CALLED IN THE



A friendly expert on rubber and a practical man on belting came to his plant. Studied operating conditions. Measured drives. Recommended a 16-inch 8-ply endless Goodyear THOR Belt for this particular duty.

What does the user himself report?

"We have lost no time whatever and our machine runs continually 24 hours a day. This is a big saving in production... A paper mill has very hard service on belts and we are getting from three to four years out of beater drives. I can recommend the use of THOR Belts on all beater and Jordan drives . . ." J. P. Furlong, American Asphalt Roof Corporation, East St. Louis, Ill.

Are you interested in that kind of equipment for your plant? The G.T.M. — Goodyear Technical Man — is ready and qualified to call and discuss your requirements with you. Write to Goodyear, Akron, Ohio, or Los Angeles, California, or call nearest Goodyear Mechanical Rubber Goods Distributor.

**BELTS • MOLDED GOODS
HOSE • PACKING**

Made by the Makers of GOODYEAR TIRES

Whatever you manufacture, it isn't likely that in all your plant you have a tougher belt drive than this paper-mill beater.

But the principle of money-making by way of better belt service — longer lived and trouble-free — is just the same in your case.

Here is a manufacturer who had been using all kinds of belts. His machines had to run 24 hours a day. But the belt failures cost him one or two money hours out of every 24.



THE GREATEST NAME IN RUBBER

GOODYEAR

Scrap Gold Rush

Millions in old trinkets have been bought by speculators and dealers, but a cagey government balks profits.

THE feverish gold rush in the scrap market envisioned its Klondike when President Roosevelt established the new price of \$35 an ounce for the precious yellow metal. But for many speculators and hoarders there are still White Horse Rapids to be navigated, Chilkoot Passes to be scaled. Cases of severe commercial chilblains are probable before profits are realized because the boys down at Washington seem to have barred all doors by which gold hoarders expected to get in out of the cold.

It is estimated that American dealers and speculators hold \$1 billion of gold scrap. For convenience, most of this has been melted down. A ruling that the Assay Offices will accept "unmelted scrap gold" but not scrap gold in bars puts the big holder into a very tough spot indeed. A large profit is there but he can't put his fingers on it. Meanwhile, blocks of capital are frozen into the bars. One New York refiner is said to have \$3 millions worth in vaults.

Federal Reserve Is Peevish

Hope appeared when a rumor said that the Federal Reserve Banks would take bars of scrap gold. This was testily denied by a New York Federal Reserve voice which said,

"We can't accept such bars. We do take in for the Treasury hoarded gold coin on which we pay the old rate. Five dollars in currency for a 5-dollar gold piece. We understand the Assay Office has been telling people that we would take in scrap gold. We wish they wouldn't do it."

Answer to all this is that federal cats are watching every hole to prevent hoarders' making a profit on gold withdrawn in the late panic. A recent ruling provides that gold coins will be repatriated into the Treasury at face value and no questions asked. Here is the final smile of the comedy in which the government tried to make out that it was a crime for holders of gold notes to call the government on its contract to pay them in the metal. Big timers let the small fry worry about the "drive against hoarders." Yet "in circulation" are \$287 millions of these milled fugitives.

You Can't Melt Coins

It is against the law for anyone to melt down gold coin. The embargo on sale of scrap bars is partly to prevent chance-takers from cooking up coins and cashing them thus at the new high price. It is also forbidden to sneak gold out of the country in order to enjoy the new price in the world market. But human nature is such that

probably at this moment determined souls are swimming the Rio Grande with gold bars in their teeth or tunneling through the Canadian border snow.

The scrap market formed one flank of the government's battle line and it was carefully guarded from the first. Late in August when rules were stretched to allow sale of newly-mined gold abroad, dealers in scrap gold were put under federal license as a precaution against escape of old metal to the better price. Ever since, licensees (whether dealers, refiners or whatnot) have been required to make monthly report as to gold on hand, and to affirm legitimate origin for scrap turned in.

All the talk made people gold-conscious. Dealers heightened the excitement by advertising for old jewelry. Golden junkmen went from house to house buying in gold trinkets. Often they paid but a fraction of the worth. Legitimate dealers warned sellers against any but licensed buyers. Investigators found one licensee who was paying 33% below the regular market value for that day. Comedy and tragedy are fused in many bars waiting to be sold.

How Are Your Plates?

To one buying office came a man who slipped a pair of dental plates out of his mouth and asked how much he could get for them.

"I'll have to scratch them."

"OK," said the owner.

The dealer made a notch in both plates and applied nitric acid. Tell-tale green stains formed. He handed the plates back. "I'm sorry," he said, "these are brass with thin gold plating."

The owner re-installed the plates the better to express his indignation. "They ought to be gold; they cost me \$200. Guess the only thing left is for me to go back and bite my dentist with them."

Most sellers have an inflated idea of values. Especially is this true of foreigners whose unfamiliarity with the language makes them suspicious. An Italian woman brought in an ounce of old jewelry and announced that she wanted \$35 for it. The dealer's test showed that it averaged 14 karat and for this grade the day's price was 91¢ per pennyweight, or \$18.20. He tried to explain that the gold wasn't pure, that there were refining charges, etc. She grabbed up the jewelry and stalked out, muttering angrily about the police.

Higher prices for gold have been a great help for pawnbrokers. Huge quantities of unredeemed pledges have been cashed in the last few months. The New York law requires that such

collateral be auctioned but the pawnbroker can buy it in and dispose of it as he pleases. The Provident Loan Society, New York's semi-philanthropic organization for making advances on personal property, is prevented by its charter from disposing of pledges except by auction. Prices reflect the ups and downs of the scrap gold rush.

Tracing the Prices

Taking February, 1933, as a base, average prices on Aug. 24 were up 4½%; by Sept. 8 they had risen 37%. Through necessity or nervousness, selling followed which kept prices from December to early in January at around 23% over February figures. The auction following the \$35 price lifted prices to 70% over the basic quotation.

Last week an oversupply of scrap and other factors caused a recession of price paid by dealers to \$32 an ounce for the purest grades. Profit on this was about \$1.75 an ounce. The Assay Office will not accept less than 1 ounce of scrap. Minimum refining charge is \$1. Approximate cost of refining \$100 in scrap gold is \$2 plus a small handling charge.

The New York Assay Office is a pallid monument to the public works program. It faces the East River and bears itself with a certain aloof mystery that reminds one of a crematory. Visitors are met by a beefy gentleman with a thick neck who bulges here and there with concealed artillery. Gold scrap is bought only from licensed dealers and his salute to one and all is,

"Lemme see your license."

"Is Thees a Country?"

A large room is the receiving department. Dealers patronizing the place are not conspicuous for sartorial splendor and the packages in which they bring their gold look as much as possible like something else. A poke carried beneath a worn overcoat is crammed with old watch cases, abandoned wedding circles, signet rings, watch chains, charms and pins with the stones picked out. The receiver takes a good look and asks,

"Where'd you get this stuff?"

"At a pawn-shop auction."

"All right." He hands out a receipt for the lot.

Next in line is a bearded patriarch who peels off layers of wrinkled paper to disclose a gold dornick such as no confidence man ever sold to any farmer. The receiving clerk frowns.

"Can't take it. No bar gold accepted."

After tearful protest the treasure disappears into its former wrappings. Outside icy blasts from the East River frolic through his beard. Lifting his eyes to where a frostbitten gull is flying toward Brooklyn the patriarch demands, "Is thees a country?"

The gull refuses to commit himself, holding steadily his frostbitten flight toward Brooklyn.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

THE Page Milk Co. is adding vitamin D to its evaporated milk with the cod liver oil concentrate developed by Health Products Corp. Each 14½ ounce can contains 1300 ADMA units, the equivalent of three teaspoonfuls of ordinary cod liver oil.

STANDARD Oil of New Jersey has developed a new break-in oil (anticipating the sale of some new cars) for motorists who don't like crawling along at 25 for the first thousand miles, but who know better than to ruin a good new engine.

GENERAL ELECTRIC announces changes in sun-lamp construction which increase the ultra-violet output—and the life of the lamp. Placing the filament above the electrodes reduces the chances of its being burned out by the arc; stretching it prevents short-circuiting deposits of mercury on the coils.

A NEW electrolytic brightening process, developed by the Aluminum Co. with General Electric, increases the reflectivity over ordinary polished aluminum about 20%. After processing, sheet aluminum is as bright as silver, which may revolutionize lighting fixtures, decorative metalwork.

WILLARD announces a new storage battery which may broaden the uses of batteries. By retaining a charge for nearly a year, the new type has possibilities on "low-discharge" locations, burglar alarms, for instance, various signal systems.

VALDURA ENAMELIZED PAINT, made by American Asphalt Paint Co., uses an entirely new tung oil vehicle which promises more permanent color and better waterproofing.

A NEW Corning glass, called Aklo, should cut the cost of air-conditioning. It transmits 70% of the light but cuts out 70% of the heat in sunlight. The most efficient type has a pale greenish hue. For those who insist on clear windows, Libbey-Owens-Ford have co-operated in producing a somewhat less efficient colorless type. (See item, this issue.)

THE makers of Olympic electric razor blade sharpeners which plug into any socket have brought out a battery model for homes without outlets. Also new is a knife sharpener, A.C. or battery powered. In battery models, flashlight cells supply the power.



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Copper—Or Little by Little

Code for copper mines would pacify NRA with a labor setup and leave the real issues for later battles. Gold and silver are now in on the industry's arguments.

THE new code for the copper industry, just submitted by the United States Copper Association, comes out of the intra-industry battle stripped down to provisions on labor, wages, and hours. No attempt has been made to settle the many controversial points that have been debated during 7 months of negotiations. Instead, the industry would be permitted to enter into a series of separate agreements, each intended to ameliorate or eliminate some specific difficulty.

Agreements anticipated would attempt (1) to regulate copper production with proper regard to current demand and liquidation of surplus stocks while maintaining employment at the highest possible level; (2) to control the flow of surplus stocks; (3) to regulate, curtail, and allot production ratios by agreement; (4) to establish minimum sales prices, regulate and allocate sales; (5) to provide for any supplementary compact needed to achieve the specified objectives of these agreements.

While some members of the industry are glad to see agreement on a basic form of code that has a fair chance of Presidential approval, others point out that there are still difficult negotiations ahead, particularly as a result of new complications that were uncovered in recent conferences.

High Prices

A fresh factor in production control is the effect of the high prices recently fixed by the government on newly-mined gold and silver. Copper mines always have accounted for an important share of total gold and silver production. In the recent peak year, 1929, over 22½% of the 2,058,993 fine ounces of gold produced in the United States, came from copper mines; nearly 30% of our

60,860,000 ounces of silver came from the same source.

Copper men have always rated these two metals as important by-products but hitherto they have hardly been important enough to make it worth while to operate a copper mine solely for what one might get in the way of gold and silver. However, the fixed prices currently obtainable under government decree—64½¢ per ounce for silver, \$35 for gold—now make it profitable for the copper companies to go after the gold and silver that can be turned over immediately, and let the copper lie until a market can be found for it. And this will help to build up the surplus stock of copper that is overhanging the market and thus increase the complications of any comprehensive plan for the handling of these stocks.

Surplus Delays Code

Much of the delay so far encountered in code-building has been caused by the surplus (BW—Jan 6 '34). Of the 550,000 tons (more or less) awaiting a market, banks are said to control a very substantial portion and they are anxious to get out from under. This phase of the situation has been further tangled by recent disclosures that foreign producers have large stocks of copper ready for disposal. Anxious to make a turn, they will be reluctant about entering any marketing agreement that does not give them what they consider a fair show.

Reaching a gentlemen's agreement on production and sales allocation is made more difficult by the fact that the prolonged period of jockeying for position during the code negotiations has widened the gap between the small and large producers. Some small producers have lost interest entirely because they

are operating their business on a well-balanced, carefully controlled basis and are making a profit as it is. The larger companies have a variety of far-flung interests, with many ramifications, and must necessarily consider the effects of any agreement upon all their interests.

Fixing a price on copper by agreement will be another knotty problem. Some of the producing interests now want the minimum set at 8¢ or, at the most, 8½¢ a pound. The fabricators, through whom most of the copper enters into distribution, prefer a minimum of 9¢ on the ground that any lower price would upset the market.

Insiders also predict fireworks when the labor provisions of the code come up for public hearing Feb. 27. At present these are the standard NRA provisions specifying minimum wages and maximum hours and that's satisfactory to the employers. Labor leaders want to write into the code minimum wages for the various classes of work and the familiar battle waged in other hearings will be fought again at this one even if labor, as many feel, has little prospect of success.

What "Cost" Is

Selling below cost to mean below figure set by code authority for each industry.

FIRST hack at the Gordian knot into which the pricing situation in NRA codes has been tied in the past 7 months of experiment has been taken in an office order which gives the code authorities power to set an arbitrary "lowest reasonable cost" of production. Each code authority will be empowered, in new codes and by revisions in old codes as well, to study its industry and reach a decision on this figure, subject to the approval, disapproval, or modification of the Administrator of NRA. If any purchaser is able to buy goods below this "lowest reasonable cost," the seller shall be held guilty of unfair trade prac-

COPPER PRODUCTION(1929)IN UNITED STATES



COPPER DISTRIBUTION THROUGH FABRICATING UNITS



COPPER SALES PROBLEM—Copper producers are handicapped without fabricating units that can process their output for distribution. During the past ten years, the open market for copper has narrowed down to 12.5%.

tice in so selling. Revision is provided for on the motion of the code authority itself or of any interested person who demands a reopening of the question.

Difficulties in the procedure are recognized, but the plan must be adopted by the makers of individual codes either before or after the codes are approved, and it is hoped in NRA that this may solve the immensely complicated problem of determining "what is cost," by the classical method of having somebody with authority supply the answer.

Hours of Work

General Johnson talks about a 32-hour week but NRA is expected to come out for 36.

WITH Congress considering a 30-hour-a-week law, and organized labor continuing its barrage for the reduction of working hours, code by code and in broadsides of publicity, NRA has been getting its statistics in shape to submit the whole question to its meeting of code authorities the week of Mar. 5.

General Johnson has clarified his earlier statement about the desirable working week being "multiples of 8" by pointing out that anybody who has shorter working time would prefer 3 continuous idle days to 5 or 6 days a week of a few hours each. He says that he has talked with hundreds of workers, and they almost all say they would prefer 4 days of 8 hours each to 5 days of 6 hours or 6 days of 5 hours. The General also holds that industry is geared to an 8-hour day, and would prefer it that way. He finds that, even with a 32-hour week as the ideal, there would not be the employment of 1926 (not 1929, he says sharply) by about 2 millions.

Observers think that the 32-hour week is a "decoy," and that it will be 36 hours as a starter, with a flat 10% increase in the minimum wages set forth in all codes, when the NRA platform on hours of work is presented to the Code Authority meeting.

Code Hearings

CODE hearings for next week, some of them supplemental proceedings, include: Feb. 19—cotton garment; Feb. 20—toy and playthings, gear manufacturing, water supply, wine, beauty shop, shower door, counter type ice cream freezer, pretzel, tanning extract; Feb. 21—refrigerated warehouse, carbon dioxide, corrugated, rolled, metal culvert pipe; Feb. 23—farm equipment, cocoa and chocolate manufacturing, New England fish and shellfish wholesaling, textbook publishing; Feb. 24—radio wholesaling.

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LETTER

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NEENAH GUARANTEED BOND PAPERS

NIRA SCOREBOARD

Based on official texts of approved industry codes published up to February 10

(Continued from *Business Week*, February 10, 1934)

218. State Industry

By National State Association. *Maximum Hours:* 40 a week averaged over 6-month period. *Minimum Wages:* In Virginia, 30c. an hour; elsewhere, 35c. an hour. Equitable adjustment of all wage rates. Wage payments at least once a month. No compulsion to live in company houses or trade at specific stores, except for employees in specified occupations. Reclassification prohibited. *Other Important Provisions:* Specifies open-price plan, with 10-day time-lag, and prohibits sales by members at less than their own filed prices. Prohibits sales below cost excepting when liquidating stocks. Costs for each producing district to be determined by method established by Code Authority and through agencies designated by Authority; must be based on cost records of at least 40% of members in each district. Code provisions to apply on all future sales, including those of stocks on hand, excepting only existing contracts. Requires filing names and locations of agents, branch offices, commission representatives and salesmen. Provides for Code Authority and special regional and district committees for each of 3 specified producing areas. Contains clause against partnership interpretation. Lists among unfair trade practices misleading advertising, bribery, rebates, substitution consignments.

222. Card Clothing Industry

By Card Clothing Manufacturing Association. *Maximum Hours:* 40 a week with tolerance of 6 weeks at 48 hours in 6-month period. *Minimum Wages:* 40c. an hour. Office workers, \$15 a week. Provides for equitable adjustment. Prohibits reductions and reclassification. *Other Important Provisions:* Creates Code Authority; 2 members to be elected by vote weighted on basis of 1 vote for each card-setting machine. Lists among unfair trade practices failure to use open-price plan with 5-day time-lag. Also prohibits misleading advertising, bribery, rebates, prizes and premiums, selling at other than published prices, selling below cost, price guarantees. Provides for cost accounting system to be approved by Code Authority. Calls for study of imports and their ratio to domestic production.

232. Merchandise Warehousing Trade

By American Warehouseman's Association, Merchandise Division. *Maximum Hours:* 45 a week. *Minimum Wages:* Graded according to specified territorial regions and size of cities, 27½c.-40c. an hour. Office workers, \$15.50-\$15 a week. Specifies method of equitable wage adjustments as of July 1, 1935. Prohibits reclassification. *Other Important Provisions:* Creates Code Authority with territorial representation from 10 regions. Contains clause against partnership interpretation. Includes extensive list of trade practices designed to standardize warehousing service. Provides for standard method of cost accounting and prohibits charges that represent less than cost. Each member to file with Code Authority tariff covering various types of services, with 10-day time-lag before effective date. Lists among unfair trade practices rebates, bribery, improper issuing of warehouse receipts, violation of filed tariff, etc.

233. Railway Brass Car and Locomotive Journal Bearings and Castings Manufacturing Industry

By Association of Manufacturers of Railway Brass Car and Locomotive Journal Bearings and Castings. *Maximum Hours:* 40 a week, with tolerances of 8 extra hours in 4 weeks of any 26-week period. *Minimum Wages:* 9 Southern states, 32c. an hour; Va., Tex., and Okla., 35c. an hour; elsewhere, 40c. an hour. Office workers, \$15 a week. Provides for equitable adjustment of all wage schedules. Prohibits reclassification and reemployment for purposes of evasion. *Other Important Provisions:* Provides for Code Authority. Contains clause against partnership interpretation.

234. Macaroni Industry

By National Macaroni Manufacturers Association. *Maximum Hours:* 40 a week, with tolerance of 8 weeks at 48 hours in any calendar year. *Minimum Wages:* Unskilled, 35c. an hour; mixers, etc., 55c. an hour; other experienced males, 45c. an hour. Office workers, \$16 a week; office boys and messengers, \$14 a week. Women, 35c. an hour; to get equal pay for equal work. Provides for equitable adjustment and regional adjustment of wage scales after investigation. *Other Important Provisions:* Provides

for Code Authority. Permits Code Authority to employ C.P.A.'s to inspect members' books. Calls for uniform accounting system, open-price system, with 5-day time-lag (suspended by NRA for 60 days, unless released earlier). Prohibits violation of established schedules. Prohibits false advertising, violation of specified labeling requirements, violation of specified industrial standards for products, sales below cost, prizes and premiums, consignments, bribery.

235. Textile Processing Industry

By National Textile Processors Guild, Inc. *Maximum Hours:* 40 a week averaged over 12-month period. *Minimum Wages:* For cotton and rayon processing, 32½c. an hour, South, 2½c. less. Provides for equitable adjustment and prohibits reductions below May 1, 1935, ratio or reclassification. *Other Important Provisions:* Operation of machines to be limited in accordance with Cotton Textile Code (NRA Code No. 1). Creates Code Authority, and provides for certain periodical reports.

236. Cooking and Heating Appliance Manufacturing Industry

By Institute of Cooking and Heating Appliance Manufacturers, Inc. *Maximum Hours:* 40 a week, with tolerance of 10 weeks at 48 hours within a 12-month period. *Minimum Wages:* South, 27½c. an hour; North, women at 35c. an hour, men at 40c. an hour. Office workers, \$12-\$15 a week, graded by population of city. Provides for equitable adjustment. Prohibits decreases of wages and reclassification. Women to get equal pay for equal work. Imposes special procedure in connection with payroll records. *Other Important Provisions:* Creates Code Authority. Contains clause against partnership interpretation. Prohibits sales below cost as determined by approved accounting system. Provides for filing of price lists with confidential agent designated by Code Authority. Calls for differentials on prices, discounts and terms for each class of buyer. Has 10-day time-lag clause (suspended by NRA for 60 days unless previously released). Lists among unfair trade practices consignments, violation of published prices, re-dating, credits for obsolete goods or overstocks, excessive allowances on second-hand goods, rebates, premiums, bribery, misleading advertising, split commissions.

237. Alloy Casting Industry

By Alloy Casting Association, Inc. *Maximum Hours:* 40 a week, with tolerance of 12 weeks at 48 hours in any year. *Minimum Wages:* 40c. an hour. Office workers, \$15 a week. Prohibits reclassification. Work let to outside contractors subject to Code provisions. *Other Important Provisions:* Creates Code Authority. Provides for penalty equal to 25% of invoice value for violations of code. Trade practice rules prohibit free services and functions, misleading advertising, false invoices, free goods of any kind, bribery, various other evasions of established fair practices. Code contains provisions for open-price plan with 10-day time-lag (suspended by NRA for 60 days unless previously released). Anticipates the establishment of a plan for limitation of melting capacity.

238. Fan and Blower Industry

By National Association of Fan Manufacturers. *Maximum Hours:* 40 a week, with tolerance of 6 weeks at 48 hours in any 6-month period. *Minimum Wages:* 40c. an hour. Office workers, \$15 a week. Exceptions for apprentices. Provides for equitable adjustment. Prohibits reclassification and reduction of hourly rates. Women to get equal pay for equal work. Specifies frequency of wage payments and prohibits rebates to employer or his agent. *Other Important Provisions:* Creates Code Authority. Provides for periodical reports covering financial and cost data, industrial activity, production, purchases and sales. Calls for uniform bookkeeping and cost accounting system. Prohibits sales below cost. Prohibits false invoices, rebates, special allowances, bribery. Proposed sales of discontinued or obsolete stock must be reported to Code Authority.

239. Porcelain Breakfast Furniture Assembling Industry

By National Breakfast Furniture Manufacturers Association. *Maximum Hours:* 40 a week averaged over 8-week periods; certain specified tolerances. *Minimum Wages:* South, 36c. an hour; North, 40c. an hour. Equitable adjust-

ment of all wages to June 16, 1935 differentials. Prohibits reclassification. *Other Important Provisions:* Creates Code Authority. Provides for labeling of all products with NRA labels bearing registration number of manufacturer. Sets up National Industrial Relations Board, with equal representation of employers and employees. Provides for standard cost accounting system, for service bureau, for attempts to stabilize conditions in industry, for standard procedure on disposal of distress merchandise, for reports of production, sales, stocks and orders. Code provides for open-price plan with 5-day time-lag (suspended by NRA for 60 days unless previously released). List of discounts and seconds to be filed monthly with Code Authority. Prohibits misleading advertising, bribery, rebates, prizes and premiums, trademark piracy, consignments unless approved by Code Authority. Code specifies standard terms of sale and cash discount.

240. Advertising Display Installation Trade

By National Display Installation Association. *Maximum Hours:* Trimmers, hours limited to 40 a week and work limited to 45 installations per week averaged over 12-week periods. Other employees, 40 hours a week. *Minimum Wages:* Trimmers, on piecework, 90c. per window, 50c. per interior installations; trimmers, on time, 85c. an hour; other employees, 35c. an hour. Specifies method of adjusting other wage rates. Women to get equal pay for equal work. Reclassification prohibited. *Other Important Provisions:* Creates Code Authority. Contains clause against partnership interpretation. Open-price plan with 10-day time-lag (suspended by NRA for 60 days unless previously released). Prohibits violation of listed prices. Prohibits inaccurate advertising, bribery, sales below cost as established by standard cost accounting system. Specifies methods of billing and procedures in connection with installations.

241. Chewing Gum Manufacturing Industry

By National Association of Chewing Gum Manufacturers. *Maximum Hours:* 40 a week. Certain specified exemptions. *Minimum Wages:* Men, 37½c.-40c. an hour; women, 32½c.-35c. an hour; office workers, \$14-\$15 a week. All graded according to population of city. Specifies method of adjusting all wage rates. Prohibits reclassification. *Other Important Provisions:* Creates Code Authority of which 2 members are elected by concerns selling less than \$1 million annually and 3 members by concerns selling more than \$1 million annually. Contains clause against partnership interpretation. Provides for gathering of statistics by independent C.P.A. Open-price plan with a 3-day time-lag (suspended by NRA for 60 days unless previously released). Prohibits violation of published prices but permits credit for definite advertising or distribution services under specified conditions. Prohibits sales at below cost as determined by a prescribed method. Consignment sales prohibited after 6 months. Specifies cash discount.

242. Marine Auxiliary Machinery Industry

By Marine Auxiliary Machinery Manufacturers Association. *Maximum Hours:* 40 a week. *Minimum Wages:* In production, 40c. an hour. Office workers, \$15 a week. Special rulings covering apprentices. Reclassification prohibited. *Other Important Provisions:* Creates Code Authority. Calls for periodical reports. Provides for uniform and standard accounting system and prohibits sales at less than cost. Special provisions made for slow-moving and obsolete stocks. Lists among unfair trade practices bribery, rebates, secret concessions, deceptive advertising, selling under blanket contracts.

243. Slide Fastener Industry

By Slide Fastener Manufacturers Association. *Maximum Hours:* 40 a week averaged over 4-week periods, with specified exemptions. *Minimum Wages:* Factory workers—men, 40c. an hour; women, 37½c. an hour. Office workers, \$14-\$15 a week. Women get equal pay for equal work. Provides for equitable adjustment of all wages. Prohibits reclassification. *Other Important Provisions:* Creates Code Authority. Contains clause against partnership interpretation. Prohibits sales below cost as determined by standard cost accounting system. Calls for periodical reports to be cleared and analyzed by independent nationally-known accounting firm. Provides for open-price plan with 10-day time-lag (suspended by NRA for 60 days unless previously released). Prohibits violation of established prices and terms.

Cotton Fascism

Voluntary cooperation for cotton acreage reductions is giving way to compulsion. Government loans and pool operation offer AAA a powerful leverage on prices.

VOLUNTARY acreage adjustment, less than half a year old, is already moving to compulsory acreage reduction. Pressure to dictate acreage reduction to whosoever grows cotton, comes not from the Administration but from the growers themselves. Returns from questionnaires sent out by the Secretary of Agriculture show that 98% of the producers are in favor of replacing the present voluntary and well-remunerated cooperation by compulsory control. Recent hearings before the Senate Agricultural Committee brought out the fact that unusual numbers of mules are moving along the Southern roads lugging fertilizers to the farms, that large acreages of land not recently planted in cotton were being prepared for planting by non-cooperators, and that outsiders generally would like to chisel in on the expected higher cotton prices.

The voluntary crop reduction program can be vitiated along 2 lines: (1) by increased use of fertilizer; (2) by acreage increases of non-cooperators.

The possibility of boosting the crop by the use of fertilizer is not serious and protection is provided in the contracts and the act creating the crop control. Cooperators must agree to limit the use of fertilizer to the average of the last 5 years. Violators can be checked up and fined.

Tempting Profits

What is more serious is the appearance of a large group of non-cooperators—farmers and land proprietors who hitherto have produced little or no cotton and are, therefore, ineligible to receive benefits from the crop reduction program. They see in 12¢ cotton for May delivery and in the possibility of 15¢ cotton next fall a juicy profit even without benefit payments. There is enough land in grain and sod in the South to nullify the reduction campaign.

Producers, close to the situation, have been watching with anxiety the feverish efforts of the non-cooperators to get in. Hence the virtual unanimity with which they are supporting the compulsory reduction program designed to prevent newcomers from planting cotton, to discourage the large landholder who has been thinking of letting more of his acres blossom out in white bolls.

Because cooperators want compulsory control, the Secretary of Agriculture has reluctantly consented and the President has given his assurance of support of such control. The Bankhead Bill is the measure that will be adopted. It provides

a 12¢ tax on ginning of cotton in excess of 9 million bales for the 1934-35 crop.

Tax-exemption certificates would be issued in each county producing cotton on the basis of the county production quota determined by the AAA. Farmers would be permitted to gin only as much of their cotton crop as would be represented by their certificates. Cotton held over from past crops now on hand would receive metal tags or other marks of identification to move in interstate commerce. Each state would be permitted to market only as much of its cotton production as determined by AAA. This would be on the basis of the ratio of the average number of bales produced in each state in the 10 years prior to the passage of the act, and the average number of bales produced by all cotton states in the same period.

Compulsory control, if adopted, would not interfere with the contracts and benefit payments totaling \$120 millions now applying to acreage-reduction cooperators.

Little Man In Now

The sign-up campaign is scheduled to close on Feb. 15. There has been some delay because of provision for the little fellow made in the new campaign. The eligibility qualification of 100 lb. per acre has been dropped to a minimum of 75 lb. and the 5-acre producer may come in, either by cutting out his acreage or reducing it by not less than 2 acres.

Denunciation of pools on the stock and commodity exchanges fill the air at Washington, but the government is operating a neat little pool of its own, designed in orthodox fashion to bull cotton prices. Some 572,000 cotton producers elected to avail themselves of the cotton option offered by the AAA as premium for reducing their acreage. They hold a total of 2.4 million bales. About 385,000 of these growers, with 1.4 million bales, have agreed to pool their holdings and, while they can borrow about \$20 per bale on their interest in the pool, they have agreed to let the government manipulate the pool for final disposal of the crops. AAA will have an influence on prices.

Consider the figures. By next August the total carry-over is expected to have shrunk to 10.5 million bales. Through Commodity Credit Corp., the AAA will have financed 4.5 million bales and, through its pool, will have direct control over 1.4 million bales. No trader can afford to overlook this important government interest. The extent to which

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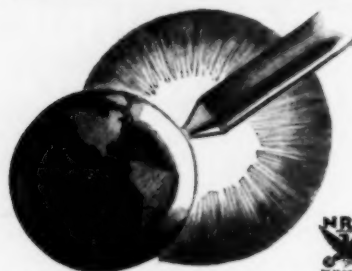
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GOVERNMENT BUSINESS AGENCY

—and Why

Business men (89,516 of them) like Business Week because it has their viewpoint, because it tells — not just what happened — but why, and what it means.

the government can still influence a hold-back in marketing cotton is indicated by the following figures: Cotton loans made on the basis of 10-cent cotton now aggregate \$58 millions, but \$192 millions are still available for these loans. Advances to holders of government cotton options total \$32 millions with \$16 millions still to be made.

Success Story

Record of decline in bankruptcies measures the pick-up and hands a bouquet to NRA.

ANALYSIS of Dun & Bradstreet's last roundup of 1933 failures reveals matters of dramatic interest to business in general and to NRA enthusiasts in particular.

(1) The spectacular third- and fourth-quarter declines in number of failures and total of liabilities. A slide from depression heights really began in October, 1932, but it moved slowly in the first half of 1933 compared with that burst of speed in the second half which tobogganed the bankruptcy total for the last 3 months down to the 1920 boom-time level and dropped the liability figure below every comparable post-war record excepting the fourth quarter of 1919.

(2) Marked decreases in failures among the first industries to function under NRA codes. For instance:

Industry	Failures	Liabilities
Cotton & Lace		
1932	38	\$8.3 millions
1933	14	2.8 millions
Lumber & Bldg.		
Materials		
1932	891	\$66 millions
1933	512	29 millions

Similarly clothing and furnishing manufacturers, who also came into the code line early, found that 1933 failures and liabilities had both been cut about 35% from the 1932 level, concluded that codes had visibly helped.

(3) Encouraging reduction in retail failures—by 50% among general stores. Grocery and meat market bankruptcies fell off from 4,311 in 1932 to 3,449 in 1933 and liabilities dropped \$12 millions. The clothing and furnishings group had 2,000 fewer failures last year, liabilities slid to \$22 millions from \$57 millions the year before.

(4) A significant decline in the general mortality ratio. Commercial failures per 10,000 concerns in business had, by last September, sunk from 1932's highest annual average since 1878 to a point below any annual average since 1881—excepting always that 1918-20 boom. The figures:

1932 Ratio	153.3
January, 1933	179.4
September, 1933	71.0

As for the argument over whether the small or the large concerns have been hardest hit since NRA got into action, there isn't much to say. NRA statisticians make a lot of the fact that the little fellows account for the largest proportion of the 1933 decline in failures but this, of course, might be expected from the other fact that the largest number of failures in any year occurs among the little fellows. A comparison of percentage of total failures accounted for by each of 4 capitalization groups in the second half of 1932 and in the second half of 1933 would seem to indicate that the advantage lay with the larger concerns, but it's too small to have much significance.

Group	1932 % of Total	1933 % of Total
\$5,000 and under	35.7	37.7
\$5,000 to \$25,000	44.3	43.8
\$25,000 to \$100,000	14.9	13.8
\$100,000 and over	5.1	4.7

The main point is that the recovery program is giving everybody a better handicap in the race with the sheriff and the bankruptcy courts.

Credit men welcome the announcement by Deputy Administrator A. D. Whiteside (president, Dun & Bradstreet, Inc.) that, beginning with Jan. 1, 1934, mortality records kept by Dun & Bradstreet include full information on the code status of insolvent concerns. Furthermore, the credit agency proposes to file fortnightly reports on failures with the code authorities in whose fields they occur.

Bus Transit Gains

Increased mileage of '33 reverses depression trend.

ONCE again bus service in the United States marches forward. For the first time in several years bus mileage increased in 1933—by 215 route miles compared with net losses of 175 miles in 1932, and 812 in 1931.

Better stabilization is indicated. Mileage of new routes was much less than in 1932, and little more than half that for 1931, but there were fewer abandonments of lines.

Purchases of new buses in the United States and Canada during the past year totaled 1,280 outranking the previous year by 80%, and 1931 by 10%.

Within the past decade the bus has been adopted by transit operators for about 24,000 miles of route in the United States, 1,600 in Canada. This is more than 40% of all transit routes listed as under operation.

Buses now in use in this country number over 16,000. Canada has some 650. The total is slightly more than one-fifth of all transit equipment listed.

EIB Boosts Soviet Trade First

RFC-sponsored Export-Import Bank officially launched with definite aim of sponsoring Soviet business. Plans still incomplete for financing other export trade.

THE new government export bank, officially launched by Monday's executive order as the Export-Import Bank of Washington, is to devote its attention primarily to Russia, although it is chartered to engage in banking and trade encouragement in all the countries of the world.

This choice was made by the President, who is responding to the demands of Ambassador Bullitt that the first moves in financing foreign trade by the United States government shall be directed toward the Soviet Union. The new bank may be extended to work in other countries but it is still possible this week that the private bank for the extension of intermediate foreign trade credits which has been urged by the National Foreign Trade Council and the American Manufacturers Export Association (BW—Jan 27 '34) will also be encouraged to go forward. John Ab-bink, of Business Publishers International, heads the committee which has sponsored this plan. He has been in conference with Washington officials again this week.

Soviet orders whose imminence has been given as the reason for rapid action on the new bank are reported to include the steel for completing the double-tracking of the Trans-Siberian Railway (1,500 miles), something over 1,000 miles of pipeline from the Caucasus oil fields to the industrial centers of Russia, and a considerable quantity of machine tools and machinery of various sorts.

Will Plan Financing

The plan for the financing of these potential orders will be determined by the new EIB, which will have a definite fund in addition to its \$11 millions of capital with which to handle the transactions.

Money transfers will be no problem in doing business with Russia, for none of the loans will leave this country. The money will be paid direct to American manufacturers and shippers of agricultural products, including cotton and fats, or used in the form of guarantees of the payment of the bills. The bargaining basis by which the EIB will dicker with shippers in order to have the government take the credit risk only on such part of each shipment as the shipper patently cannot handle, has not yet been changed, despite the criticism of exporters that this dickering process will work a hardship on many shippers and give unfair advantage to others.

One of the plans suggested for financing the Soviet trade with this country which was discussed widely, and very secretly, some weeks ago, provided for the use of German securities held in this country, but this has now been abandoned owing to transfer difficulties and the opposition of the Germans. It was thought possible to buy up German bonds in this country (now selling generally at about 60) and turn them over to Russia to be used, at par, to pay, at par, for the remaining portion of the Russian debts owed to German manufacturers. Government officials here did not sponsor the idea, but it gained considerable circulation.

Soviet Wages

They aren't all the same. Premium is on skilled construction workers and trained instructors.

It is a common fallacy in this country to believe that Soviet workers all receive the same wages. This probably grows out of the popular belief that Soviet economy is "communistic" in the pure sense of the word.

Moscow has recently released some interesting figures on the amount of money wages that Soviet workers receive in the various industries. For industry as a whole the average yearly wage in 1932 was \$757.10. Workers in the construction industry received \$795.62, the largest income of any single group. In transport and communication, average income was \$764.11. Farmers and workers in the lumber industry received slightly more than \$493. Workers in social and cultural institutions receive about \$768, but among these teachers receive nearly \$840. (Wages are computed in dollars at the theoretical exchange value of 51½¢ to the ruble.)

It is of course impossible to draw any accurate comparisons between wage incomes in Russia and the United States, because the manner and cost of living are so different. The significance of the figures for the average American is in the 54% greater income that the average industrial worker receives over the general level for agricultural and forestry workers; the special premium paid to trained construction workers and to teachers; and the higher wages paid to railway employees in an effort to overcome inefficiency and lagging development of the country's transport system.

Recent CHEMICAL Developments II

1. TRANSPARENT ROSIN

A result of intensive research work on Hercules wood resins is a product so clean and clear that print is legible through slabs several inches in thickness.

2. SHEETED CHEMICAL COTTON

Chemical cotton, the basis of cellulose products, such as lacquers, films, plastics, synthetic fibres, paper, and explosives, is now available in sheeted form which increases its convenience for use in certain industries.

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Nitrocellulose lacquer films have been thoroughly tested for their reaction to light and heat. The results are now available.

5. CHLORINATED CLEANSER

A new chlorinated cleanser, Clor-Clean which disinfects, cleans, and bleaches in one operation, has been developed for the sanitary washing of glass, china, silverware, and equipment in restaurants, bars, hotels, soda fountains, and hospitals.

6. TRANSPARENT PAPER

Abalyn is of great value in the manufacture of transparent paper. It is a viscous, pale yellow liquid containing about 95% mixed methyl esters of several isomeric forms of abietic acid.

7. PROTECTS METALS

Tornesit, newly introduced, is an unusually effective chlorinated rubber product for use in paints to protect against moisture, acids, and alkalis.

8. DEVOTED TO CHEMICAL RESEARCH

Extensive facilities for research on the application of naval stores, cellulose products, chemical cotton, explosives, and paper-making chemicals are maintained at the Hercules Experiment Station.

9. SCOURING TEXTILE FIBRES

Pine oil increases the solvent and wetting powers of soap solutions and specialty chemicals in kier boiling and washing textile fibres.

10. SAVES APPLES

Hybrex is a new pine compound which, when applied to apple trees in the dormant season, kills over-wintering codling moth larvae on contact.

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Business Abroad

Austrian crisis likely to precipitate breakup of artificial Versailles agreements. France temporarily calm under coalition government. Czech currency devaluation accepted as forerunner of similar moves in other Danube states. Rumor of Franco-Japanese trade bargain.

Europe

EUROPEAN NEWS BUREAU (Cable)—For another week business has been eclipsed by political developments in Europe.

Ever since Austria was set up by the Versailles treaty as an independent state, it has been an economic monstrosity. Vienna is still the fourth capital of Europe, but instead of being the market center and financial capital of all southeastern Europe, it has been surrounded by new states, each with economic ambitions which preclude effective cooperation with Vienna and use of its vast commercial facilities beyond the absolute necessities. More than one-third the entire population of Austria lives in the capital.

Of all the political parties in Austria, the Socialists are numerically the greatest. It is this group which has been responsible for the great model housing projects in Vienna which are known throughout the world. And it is this group which has forced up the taxes on wealth, while giving the working man probably as good living conditions as in any state in Europe.

Vienna Appeals for Aid

Chancellor Dollfuss until recently has had the support of the Socialists, and has been glad to have it. But to Hitler and German Nazis, the Socialists are anathema. They are only a little less disliked by Mussolini. When Hitler propaganda threatened to overwhelm Austria, Chancellor Dollfuss appealed to the League of Nations and to European powers for support. France always came to the rescue until last week, when internal conditions demanded all attention on domestic problems. Britain has always used her influence to support the provision in the Versailles agreement guaranteeing Austrian independence. Just now London is unwilling to promise anything like cooperative occupation of Vienna to preserve peace and independence.

Mussolini is more concerned. The apparent defeat of the Socialists in Austria by the Heimwehr cannot offer Mussolini much satisfaction, despite the fact the Heimwehr brand of Fascism is more according to Mussolini than to Hitler. The Heimwehr is the smallest political party in Austria which is still large enough to make itself known. Its

victory can do little more than delay full Nazi control of Austria. To prevent outright *Anschluss* between Germany and Austria is not enough for Italy. Virtual control of contiguous territory by Germany would always worry Rome. It is better for Italy to win, if possible, the consent of the other powers to the formation of an economic bloc with Austria, Hungary, and Yugoslavia.

What's Ahead for Austria?

Germany has made no move this week. Astute observers in Berlin know that the Foreign Office is more concerned over developments in Vienna than in Paris. Hitler is not likely to move until he knows just where Rome, and Paris, and London stand in the situation. And until some party in Austria (probably the Heimwehr) takes the onus for the week's civil war.

There are too many unknown factors to predict an outcome. The less sanguine believe that war in Europe is a possibility this year. A larger group expects firm action by France and Italy to smooth over a crisis. Perhaps the biggest factor is the universal mistrust of Nazi Germany, a condition of which Hitler is painfully aware.

Developments in France are of far greater significance. Under the Doumergue coalition, the whole outlook has cleared. Riots have ended; the general strike in protest of Fascism was orderly and ended on schedule; the government is taking a firm hand in dealing with the German disarmament demands and the Austrian crisis; the public has a good deal of confidence in the new premier.

France Demands a Change

It is only a temporary respite, however, for vital problems have not yet been settled. France still wants a representative government, but it wants new laws to curb its inefficiency, its extravagance, and its petty political squabbling. These changes demand careful guidance on the part of the cabinet and even then they will come only after much opposition has been overcome. A budget must be balanced. This is bound to mean increased taxes, or reduced pensions, always a reason for protests. And probably the franc will need to be devalued. The best informed in both Paris and London expect it, and before long.

Britain is uneasily following the situations in France and Austria. It is true

that Paris and London have already stubbornly refused to make mutual trade concessions in existing trade agreements, and that a trade war of first proportions threatens. London, nevertheless, is likely to cooperate in every other way possible to cause France no embarrassment now, for a genuine crisis in France might well throw all Europe into chaos.

Gold continues to flow to New York, along with a flood of speculative funds seeking investment in Wall Street. The move by Prague to devalue the Czechoslovakian currency is generally expected to be a forerunner of similar moves in Poland and in southeastern Europe, all for the avowed purpose of maintaining competitive positions in world trade. Holland and Britain are continuing conferences on the rubber restriction scheme, and are said to be discussing also plans for cooperative action in the Far East in case further tenseness develops in that area.

The dollar sold at a smaller premium in London and Paris at midweek than at any time since late November.

Germany

Berlin worried by prospect of new wave of currency devaluation in Danube valley. Dr. Schacht reassures bankers.

BERLIN (Cable)—Surrounded by political developments of the first magnitude but wary of commenting publicly on them, Germans turned attention to more commonplace developments in domestic business.

Exporters, already harried by the repercussions to the country's policy of extreme nationalism and the curbs of various neighbors, were shocked by the announcement from Prague that the Czechoslovakian currency would be devalued. They foresee the Polish zloty following a similar policy, and the possibility that other states in the Danube basin will be forced to take similar measures.

Glass and textile manufacturers are most worried. When exchanges were on their old bases, German products met stiff competition from these neighbors in competing markets. Fortified by devalued currencies, Germans see more markets lost to their neighbors. Germans still refuse to consider devaluation of the mark.

The unseasonal decline in the number of jobless in January (nearly 285,000) was due equally to governmental measures providing work and to a spontaneous improvement in business.

Foreigners expressed some interest in the officially released figure of 781 million marks as the total of German bonds which have been repatriated at depreciated values. None doubted that this

was the minimum figure though there were no statistics to prove it.

Considerable interest has been roused by the address of Dr. Schacht at the University of Kiel. In the eyes of the business community, the importance of this first definite statement on Nazi bank policy was enhanced by the fact that its contents must have received the check of Hitler or at least of his personal economic advisers. The address was obviously intended to dissipate certain apprehensions and misgivings which have spread among business men and bankers.

Most significant was the fact that bank nationalization was not even mentioned. Dr. Schacht, on the contrary, hailed the necessity of private initiative and responsibility in banking and particularly stressed the important rôle played by the private banker.

Schacht, On Money

Equally "conservative" was his reference, though with a trace of textbook wisdom, to the usefulness of loan capital and the necessity of interest payment. Even the party catchword about "bondage of interest payment" was interpreted in a way acceptable to the orthodox capitalist and banker. It does not mean, Dr. Schacht pointed out, a negation of interest payment, but merely signifies that the owners of loan-capital should not exercise dominating influence in economic life.

Another high spot in Dr. Schacht's speech was his reference to the fact that Germany is moving closer to the natural possibility of large scale conversion operations. However, any precipitate action in this direction would do more harm than good. The new Bank Act has given the Reichsbank wide powers to influence the capital market by means of its open market policy. But it would be unwise on the part of the bank to use these powers prematurely. It should keep its powder dry for a powerful intervention at the decisive moment.

Great Britain

Trade war with France feared. Significance attached to visit to London of Dutch premier. Retail trade and rail earnings show improvement.

LONDON (Cable)—The business tone is still good in Britain, though executives are perturbed by developments in France and Austria, and by the prevailing uncertainty over the effect of the movement of £45 millions in gold to the United States.

The political crisis in Paris had scarcely been calmed when London received a reply from the new government to the ultimatum on quotas. France is proving just as stubborn as Britain and has given notice that the existing trade treaties—one dating back as far as 1826—will be cancelled at the end of the required 3 months' notice. While France believes it is a normal point from which to start new trade talks in line with conditions as they are today, Britain fears that a serious trade war is imminent.

Balance sheets of retail stores confirm the impression that there is a distinct revival in retail trade. Railways are reporting better earnings. The Southern Railway is paying 2% more than last year in dividends, and the London Midland & Scottish had previously reported a higher dividend this year. The other 2 groups of England's "Big 4" likewise are expected to report larger dividends soon.

The Dutch premier's visit to London is expected to result in some more definite announcement concerning the scheme for world restriction of rubber output. Final acceptance depends on the ability of the Dutch to curb their native producers in the Far East. But the City also believes that the Dutch official is discussing the gold situation. Holland is a member of the gold bloc,

but influential executives in Amsterdam are known to have advocated for some time that Holland devalue her currency for the trade benefits it would bring to the Dutch. And finally, London suspects that the Dutch and British premiers are discussing plans for cooperative action in the Far East in case their possessions are threatened. Holland is especially eager to see Britain's Singapore base completed because of the threat to the Dutch East Indies of Japanese trade penetration in that area and the fear that further trouble may develop.

Government officials are expected to announce any day that the trade agreement with Russia has been signed. Both parties have decided that the Lena Goldfields case should be settled outside, but Britain will consider the trade agreement a more or less temporary arrangement until this case is cleared up to the satisfaction of the British parties to the contract.

Most ominous cloud in the business outlook is the unsatisfactory development of the conferences between railroad employers and workmen on the question of wages.

France

Country calm under new coalition but many problems yet to be faced. Gold drain eased. Paris looks for new deal in Anglo-French trade.

PARIS (Wireless)—France is quiet again. The street demonstrations in Paris on Monday, and even later in some industrial centers, lacked sympathy from the masses who satiated their desire to protest against the government in public demonstrations last week. It seems now that until complete tranquillity is regained France will be ruled by a mild form of parliamentary dic-



VIENNA STRONGHOLD—One of the model apartment houses for workers in the Austrian capital, built by Socialist governments since the War and used by party members this week as fortresses from which to resist the attacks of Austrian Fascists.

tatorship. No absolute dictator has yet appeared, and it is obvious that venerable M. Doumergue is too old to assume that rôle, even if he were the type. Paris is now talking of amending the constitution so that the fall of a ministry will automatically force new elections. Curbed with this responsibility, the Chamber is likely to consider twice before giving a vote of no confidence.

Germain Martin, new Finance Minister, is already working on a budget which it is proposed will be placed before the Chamber before Mar. 1 but only for passage without discussion. This will eliminate bickering and further necessity for providing month-to-month credits, while the Senate will be allowed the privilege of making superficial readjustments if they deem it necessary.

Franc Recovers

The bourse held up remarkably well last week considering the seriousness of the political disorders. Rentes regained 5% to 8% on the announcement of the formation of a government under M. Doumergue. Francs recovered this week, dollar premiums dropping quickly. The gold point is now calculated in Paris to be 15.12, and the current rate of franc-dollar exchange is about 15.32. Despite this disparity, there have been few demands for gold this week owing to the uncertainties which may enter the picture before space can be booked for shipment abroad. The Bank of France raised the discount rate twice in the last 2 weeks.

Decision by the Czechoslovakian government to devalue the crown is regarded in Paris as having no bearing on the position of the franc since Czechoslovakia has long been practically off the gold standard and has never been a member of the gold bloc. Nevertheless, there is some concern over the prospect of other of the Danubian states taking similar action which means that French exporters will be faced with a larger group of exporters whose competitive position has been improved by the devaluation of their currencies.

Trade War

More immediate threat to foreign trade is the mutual denunciation of trade agreements between Paris and London. The French market is scarcely less important to the British than the British market is to the French, but France is inclined to believe that the time has come for a complete revamping of trade agreements and that cancellation of existing pacts simply clears the slate for an entire new deal. If complications should develop, it would seriously affect the business of both countries.

France is not yet talking devaluation, but the worsening foreign trade position, the budget deficit, and the growing number of devalued currencies makes the position of the franc increasingly questionable.

Latin America

Cuba benefits from larger sugar quota, lowered duty. DuPont joins British chemical industry in Argentine business.

CENTER of business interest in Latin America this week was the decision in Washington on sugar quotas and its effect on Cuba (page 11). The United States quota of just less than 2 million short tons is less than Cubans hoped to get, but it is about 15% above the quota apportioned to them last year. With stocks of about 1 million tons in the island, however, it may be deemed necessary to cut grinding quotas again.

While labor troubles continue in the island, the situation seems fairly well under control. The new president is dealing firmly with the laborers while at the same time meeting some of their demands.

An earlier rumor that duPont interests in the Argentine would be expanded (*BW*—Jan 27 '34) is explained in the announcement from Buenos Aires this week that duPont and Imperial Chemical Industries of London have formed a joint stock company to unify their businesses in Argentina.

Far East

Chinese business quiet during New Year festivities. French may cooperate with Japanese in Manchukuo industrialization.

NEW YEAR festivities have slowed down business in China. Year-end collections were fair. All business is slack except the cotton market, where prices were firm.

Main business interest in the Far East this week centered in the newest rumor that French manufacturers have entered into an agreement with the South Manchuria Railway management to provide 15-year credits on purchases of materials to be made in France. The rumor has cropped up from time to time over the last year, and has steadily been denied in Paris. It is known now that both German and French exporters have been surveying the trade possibilities in Manchukuo and it is possible that some agreement has been reached in this case.

Japan continues to report record industrial output. Rayon exports in 1933 were 17% greater than 1932 output, while value was up 22%. Glass manufacturers increased their exports from ¥6.8 millions in 1932 to ¥11.9 in the first 10 months of 1933. Beer output was up 30% last year.

Japanese car and locomotive manufacturing companies recently have received orders from Manchukuo through the South Manchuria Railway Co. for 60 locomotives and cars.

Canada

Business continues to expand. Plan for nationalization of life insurance defeated. More plans for central bank.

OTTAWA—Additional evidences of returning prosperity appear almost daily in Canada. It is now revealed that federal revenues are reviving in line with expanding trade. Revenues for January were \$6 millions ahead of last year, taxes on domestic business being largely responsible.

Carloadings continue to go up, last week's total of 37,543 being 7,632 over the same week of 1933. Pulp and paper, lumber, and ores figured heavily in this increase. Railway earnings benefit correspondingly. Canadian National's gross for the week ending Feb. 7 was \$2,661,000, which is more than \$462,000 above the same week in 1933. Canadian Pacific was up accordingly. During the week some British Columbia lumber companies increased their wage scales 10%. Ontario furniture manufacturers report twice as much business last month as a year ago. Halifax cleared the largest shipment of paper ever sent from Canada to England.

Canada does not want nationalized life insurance. The House of Commons is emphatic about it, rejecting the current proposal by an overwhelming majority. Socialists in the House advocated nationalization but found the old parties united against them. Socialist complaint with the existing system was mainly about high insurance salaries and duplication of headquarters expenses. Finance Minister E. N. Rhodes insisted Canada had cause for pride in well conducted insurance companies.

Central Bank

Canada's central bank, soon to be established, will be operated without association with either the federal government or the chartered banks. It probably will be located in Ottawa and the initial capital may be in the neighborhood of \$5 millions. A principal function will be to control and stabilize exchange, mainly between Canada and Great Britain and European countries. Fluctuations in exchange during recent years, especially following Britain's departure from gold, necessitated imposition by Canada of special exchange and dumping duties on British imports, and these have caused constant irritation to British exporters. Interference with trade between the two countries has been extensive.

Another aim of the Canadian government is to remove Canada's exchange transactions with Great Britain and Europe from the control of New York. A British banking expert will probably be secured to manage the central bank during the early stages of its operation.

What Every Investor Should Know About Market Action

by A. W. Wetsel

As indications that we have taken another constructive step forward continue to multiply and the upward market trend again is resumed, we receive many letters from puzzled investors seeking information about how to benefit by these newly created opportunities... how to start rebuilding lost fortunes... how to make profits today.

NOW, it has been our opinion, and we have so advised repeatedly, that you do not need a bull market in order to protect your holdings and make money. True, in a broad upward market more people become interested and action is more decisive. There is not the hesitancy nor fear that often accompanies a declining market or a sideways market. But through a sound understanding of market action, it is possible to safeguard your investments and take profits in all types of markets.

Substitute Knowledge for Indecision

You have often heard the old adage that "anyone can buy but the profits come from knowing WHEN to sell." That very knowledge is obtainable from the market itself.

Security prices are human conclusions—the meeting ground of the buyer and seller. Therefore, if you are to gauge market action, the human element must be considered as a controlling factor.

Statistical information, while of vital importance, is not a conclusive guide. Time and again, in the last few months you have seen the market move in directly the opposite direction from the way in which statistical reports indicated it *should* move. As for instance, during the summer of 1932. Statistically, the country was at its lowest ebb, yet the upward swing starting in July lasted for three months. In April, 1933, U. S. Steel issued the poorest report (statistically) it ever published and almost immediately (within a month) its common stock rose from 26 to 49.

That is why we repeatedly state that security prices are controlled by factors within the market itself. Through constant analysis of these factors it is possible to pre-determine market action—to tell WHAT should be done to provide protection and enhance the opportunities for profit.

Today with the market again attracting a constantly widening circle of buyers... with a great opportunity for profiting... it becomes imperative to *know* in advance what you reasonably can expect to do and what should not be done.

Two Ways to Know

In order to gain that knowledge you can either devote much of your time to the subject and reach your own conclusions, or, you can profit by the experience, knowledge and guidance of others. And this latter group may be divided into smaller groups.

There are many who profess to be able to foretell market action. It is our suggestion, however, that in choosing such counsel you carefully analyze:

- (1) The methods used in forecasting
- (2) The record achieved by following those methods

Wetsel Method Inductive

Wetsel recommendations are the results of inductive reasoning, that is, positive conclusions arrived at through careful and constant analysis of contributing causes that are known to govern market trends and security prices. This method is directly opposed to those conclusions based on *deductive* reasoning from assumed causes and incomplete facts. Nor is a Wetsel recommendation the result of a composite average (if, indeed, such a thing were possible) of the conclusions of others.

The success of this organization (and, therefore, the financial progress of its clients) has been based upon its exclusive methods and *original* conclusions as applied to market action and the making of money.

From the Wetsel Record

By ignoring all other methods or "systems," the Wetsel method of interpreting the Technical Factors that control market trends and security prices, successfully foretold:

- the October, 1929, break in September—and again on October 7 of that year.
- the break of May, 1930, when others proclaimed the market was definitely on its way to "normalcy."
- the break of April, 1931, when business indices and statistics indicated broad improvement. Mr. Wetsel wired his clients to sell both investment and trading holdings.
- five major upswings that occurred during this period.
- rising market of the summer of 1932, at a time when statistically the country was at the lowest point. And at which time most investors overlooked a major opportunity for fortifying their positions and making profits.
- the market rise following the bank moratorium. After advising clients to *stay out* of the market during February, specific buying recommendations were issued on February 27 and on March 1. Profits were taken after sensational rise following the reopening of the Exchange.
- the beginning of the gold embargo market. Purchases again being made on April 14—two to five days prior to the sensational rise following the embargo.
- the long persistent Spring rise, following the gold embargo soon again afforded large profit opportunities as buying instructions had been issued two to five days prior to the beginning of the rise.
- the break in the grain and commodity markets in mid-July, 1933. (In order to make our position clear and complete, we add, we did not have all investors out of the stock market at that time, although owners of certain issues had been advised to sell a few days before.)
- the turning of the recent market decline. After having kept investors OUT of the market during October and early November, buying instructions were issued on November 3. And again just four days before announcement of the "stabilization" plan.

These instances are given because the dates and what they signify are so well remembered. But, they also emphasize the necessity for forecasting short swings, which may aggregate even more profits.

Enhancing Your Opportunities

Once more, we are in the type of market that is likely to cause some investors to become careless or subject to misleading

guidance through giving too much credence to certain phrases or actions. Therefore, the following warning is issued as a *general* guide to all investors.

The market has been quite selective—securities moving independently of each other.

Security prices and the market trend are acting independently of gold and commodity prices. Do not be misled by the possible effects of inflation.

Markets move in *advance* of statistical information. Beware of buying or selling after statistics are published.

Market forecasting is *not yet* a science. It is possible through interpretative experience, to foretell trends with a much better than average degree of accuracy but not with scientific precision.

We agree that the present is a "good time" to enter the market with a view toward recouping losses and again making profits. But we also know that your chances are greatly enhanced if you are advised by experienced, independent counsel WHAT to buy (and sell) WHEN and at WHAT prices.

That, in short, is the function of this organization. From the individual and organization with large estate problems to the small investor and trader seeking to build up his capital there is a Wetsel Service for every investor's need.

Booklet Shows How—Sent Free

Those who are satisfied to judge financial progress by the complacent standards of a few years ago (the known fallacies of today) will not be interested in this type of service. But for those who do realize that market trends and security prices are being forecast—profitably, we have prepared a clear and specific description of conservative and profitable trading methods.

This booklet, "How to Protect Your Capital and Accelerate Its Growth Through Trading," merits your serious thought at this time. It has pointed the way to a sound understanding of market action for both large and small investors throughout the country. Send for it today. See how this method *might* help you. No cost or obligation. Merely fill in and mail the coupon.

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Money and the Markets

Bankers balk at long-term loans, look pointedly at RFC. Stocks have legislative jitters. Bond market shows similar uneasiness. But commodities carry blithely on.

Money and Banking

QUIETNESS continued on the money markets this week with rates low and unchanged. Bank loans to business, despite all the efforts of Washington, again dropped to smaller figures. During the week ended Feb. 7 "all other" loans of the weekly reporting member banks declined by \$27 millions, total loans by \$49 millions.

The Administration insists that an expansion of credit is necessary both to assist business during the recovery period and to aid in the drive for more domestic inflation. The banks are equally insistent that they are making every good loan that comes their way and that loans are not higher because business has failed to ask for greater accommodation. Both sides, it appears, are right. But the argument, passed back and forth between Jesse Jones and represent-

atives of the bankers, has served to clear the air and gives promise that something constructive will develop.

The real reason for the smaller loans, it seems, is that there is so little demand for loans of the self-liquidating type. There are many requests upon the banks for long-term loans. These are urgently needed by business to make up for the capital depletion that took place during the depression. Now that the volume of turnover is increasing, the remaining capital is insufficient for the improvements in plant and equipment that must be made. The banks are cautious of loans of this type. They are afraid of being converted from a short-term to a long-term basis, for that would tend to freeze the entire banking situation again and keep them from performing their proper function in the business life of the community.

The plan to have the RFC make direct

loans to industry has been unsuccessful so far. By the time all the red tape has been untied, a company applying for help from that source has either expired or found some other means of getting capital. Nor has the plan to have the Federal Reserve banks make direct loans worked any better. Clearly some new method of attack is needed and, it is understood, the RFC has under consideration at the present time a new method that would break the deadlock between the Administration and the bankers.

Freezing Hazards

This plan is based upon the reasoning that a great many more companies would be able to borrow from the banks if only their long-term requirements could be taken care of by some other agency. They are good customers of the banks and good credit risks—if only this fear of freezing could be avoided.

In such cases, the RFC would be willing to guarantee a very large percentage of any capital loan that the bank might make a company. This, it is admitted, is bad banking. But it would be an emergency measure designed to meet existing conditions, to release a wave of credit expansion helpful to inflation and profitable to the banks. Recovery would be aided by the freeing of this im-

Figures of the Week

BUSINESS WEEK WEEKLY INDEX OF BUSINESS ACTIVITY

	Latest Week	Preceding Week	Five-Year Year Ago	Average (1929-1932)
PRODUCTION				
★ Steel Ingot Operation (% of capacity).....	39.9	37.5	20	53
★ Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks' basis)	\$7,562	\$7,487	\$3,403	\$9,018
★ Bituminous Coal (daily average, 1,000 tons).....	*1,294	†1,192	975	1,494
★ Electric Power (millions K. W. H.).....	1,652	1,636	1,483	1,650
TRADE				
Total Carloadings (daily average, 1,000 cars).....	94	94	81	121
★ Miscellaneous and L. C. L. Carloadings (daily average 1,000 cars).....	59	59	53	76
★ Check Payments (outside N. Y. City, millions).....	\$3,120	\$3,041	\$2,487	\$4,537
★ Money in Circulation (daily average, millions).....	\$5,333	\$5,308	\$5,430	\$4,981
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$.87	\$.87	\$.43	\$.79
Cotton (middling, New York, lb.).....	\$1.25	\$1.20	\$.061	\$1.19
Iron and Steel (STEEL, composite, ton).....	\$32.42	\$32.42	\$28.27	\$32.20
Copper (electrolytic, f.o.b. refinery, lb.).....	\$.078	\$.078	\$.048	\$.111
All Commodities (Fisher's Index, 1926 = 100).....	73.2	72.8	55.3	77.2
FINANCE				
Total Federal Reserve Credit Outstanding (daily average, millions)....	\$2,612	\$2,631	\$2,078	\$1,512
Total Loans and Investments, Federal Reserve reporting member banks (millions)	\$17,082	\$17,121	\$16,622
★ Commercial Loans, Federal Reserve reporting member banks (millions)	\$4,713	\$4,740	\$4,950
Security Loans, Federal Reserve reporting member banks (millions).....	\$3,587	\$3,609	\$3,696
Brokers' Loans, New York Federal Reserve reporting member banks (millions)	\$896	\$888	\$422	\$2,339
Stock Prices (average 100 stocks, Herald Tribune).....	\$104.53	\$105.42	\$84.10	\$134.45
Bond Prices (Dow, Jones, average 40 bonds).....	\$90.99	\$90.86	\$80.22	\$88.95
Interest Rates—Call Loans (daily average, renewal) N. Y. Stock Exchange	1%	1%	1%	3.2%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City.....	11-11½%	11-11½%	11-11½%	3.7%
Business Failures (Dun and Bradstreet, number).....	291	305	629	633

*Preliminary

†Revised

★ Factor in Business Week Index

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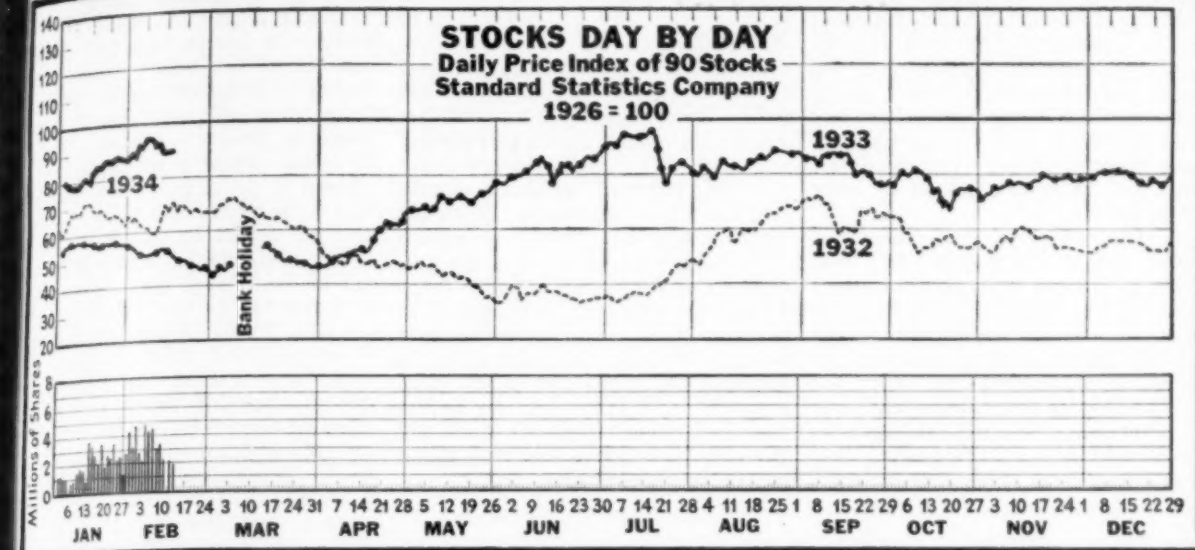
\$4,537
\$4,981

\$7.79
\$1.19
\$32.20
\$1.11
77.2

\$1,512

\$2,339
\$134.45
\$88.95
3.2%
3.7%
633

SS WEEK



pounded purchasing power and, instead of being pushed out of the industrial fabric, the concern in need would be restored to a paying basis.

Bonds

BONDS suffered with stocks when the Fletcher stock exchange bill was first released to the public. But, as feeling spread that this bill would not be passed in its present form, a recovery ensued and quotations were advanced to just slightly below the highs of the preceding week.

The retreat of the bond market before the threat of the Fletcher bill was justified. The bill carefully regulated the purchase, sale, and hypothecation of securities—and included in its definition of securities were bonds, notes, debentures, certificates, etc., of all kinds, excepting only obligations guaranteed as to principal or interest by the United States. On securities registered on an exchange, loans could not be made exceeding 40% of the current market price or 80% of the lowest price the security had sold at during the preceding 3 years. Even banks were debarred from loaning more unless the security had been paid for in full for a period of at least 30 days prior to the making of the loan. As it is customary for banks and brokers to go well beyond these limits in loans on high-grade bonds, this section would have a marked deflationary effect. Many bonds would have to be thrown on the market just because the framers of this bill did not differentiate between the high loan value of a relatively slow-moving bond and the lower loan value of an ultra-speculative stock.

The free and open market for bonds

would also be interfered with by the regulation of trading and the indefinite control placed on the over-the-counter markets. Bonds would become less liquid—and, therefore, less valuable—as a reserve for banks and other institutions. Clearly some change must be made in these provisions to avoid a tidal wave of institutional selling, that would not only drive down prices and seriously hamper the placement of new issues but also impair bank and insurance company reserves with, possibly, far-reaching consequences.

Insurance Guide

The insistence on investment liquidity by institutions is well illustrated by the report that has just appeared on the 1933 purchases of a group of leading life insurance companies.

Life Insurance Company Investments

	1933	1932
	%	%
Loans on Bonds and Mortgages		
Farm Property	3.5	9.3
Dwellings, Apartments, and Business Property.....	3.8	31.3
Railroad Securities		
Bonds	3.6	1.1
Stocks
Public Utilities		
Bonds	6.5	9.7
Stocks	0.2	0.2
Government Securities		
U. S. Government Bonds...	59.3	19.6
Canadian Bonds.....	5.0	3.7
Foreign Bonds.....	0.4	4.7
State, County, and Municipal	16.0	16.0
Miscellaneous Securities		
Bonds	1.6	4.2
Stocks	0.1	0.2
	100.0	100.0

Of \$797 millions invested, over half went into U. S. governments. Municipalities took another large share and Can-

adians some more. Mortgages dropped way down from their former high total and buying of public utility and miscellaneous securities was curtailed. Railroad bonds were bought a little more freely than last year and this was the only group, aside from the governments, to gain. The report unfortunately does not cover the classes of bonds sold during the year. Sales, more than purchases, would make a helpful guide to other investors.

It was this type of institutional buying that was so helpful in maintaining firm prices for governments throughout the past year. And it was probably this type of buying, plus the exemption of these issues from the action of the stock exchange control bill, that explains the steadiness of governments during the last week when most other bonds were declining.

Stocks

STOCKS received their first real check of this year when the Fletcher bill appeared. Somewhat weak before, this announcement served to put the skids under the market and the decline was not stopped until most of the preceding week's large gains were erased. Then in mid-week came an interesting recovery which suggested that the general trend would continue to be upward providing restrictive legislation does not become too severe.

Also interesting, was the fact that the mid-week rally came exactly one year after the closing of the state banks in Michigan. On Feb. 14, 1933, the general public received its first intimation of what was in store. For the balance of February and the first part of March conditions grew steadily worse. A panic

existed and stocks sold off sharply. After the inauguration of President Roosevelt and his banking holiday, confidence was gradually restored and stocks rose. Today industrial stocks are worth nearly two and one-half times as much as they were on the first of last March, rails have slightly more than doubled and even utilities have advanced by some 22%.

Business, too, was badly depressed during the first quarter of last year. Both output and earnings were forced down to new lows by the banking uncertainty. So any comparison of this year's figures with those of a year ago should reveal large gains. Also, the losses that most companies suffered during the earlier period will not be present to drag down this year's profits. It is this factor, even more than inflation,

that is responsible for the large advance in stock prices that has taken place in the interim.

Since the first of January the pace of this advance has become almost too swift. It was probably just as well that a secondary reaction should take place at this time. But it seems too bad that a piece of proposed legislation should have been the major cause. With the stock exchange bill, the suit against the rayon companies (page 10), the cancellation of the airmail contracts (page 7) and the movement in Congress and in NRA further to shorten working hours, Wall Street is talking about "a concerted Administration attack upon business." While nothing may be farther from the administrative mind, still the cumulative effect may well call a halt to the present bull market.

Commodity Markets

HEALING influences are at work in the agricultural and industrial regions. Evidence: another rise of wholesale commodity prices to the highest point in more than 3 years. The daily wholesale price index of the *Journal of Commerce* has made the astounding jump of fully 5%, and the weekly index, constructed from a broader list of products, has made an equally steep advance.

Reactions to the threat of new regulatory laws designed to eliminate market gambling and manipulation had little effect on the vigor with which many commodities advanced. The sunny South is sunnier this week with the appearance of 13¢ cotton for January delivery. May contracts at 12.46¢ are at the highest point that this contract has yet reached and are more than double the price for May delivery at this time last year.

In the Northwest, where the icy winds howl around the corncribs and silos, farmers are warmed by the news that hogs are approaching \$5. Light and medium weights have sold for as high as \$4.85, a 50¢ advance over last week. It's government influence: The price advance was felt mostly in those grades of hogs on which buying by the beneficent AAA is being pressed most vigorously. As yet, the advance of hogs has not made for sympathetic moves in corn and other grains, or in steers. Corn is unchanged. Wheat has been subjected to selling pressure, and finally closed at midweek at 90½¢ for May delivery, contrasted with 92¼¢ the preceding week. While steers are quiet, other livestock men have the satisfaction of marking up dairy products.

International commodities were upset by political disturbances in Europe. Copper, lead, zinc, and tin remained unchanged. Silver at 45½ on the open

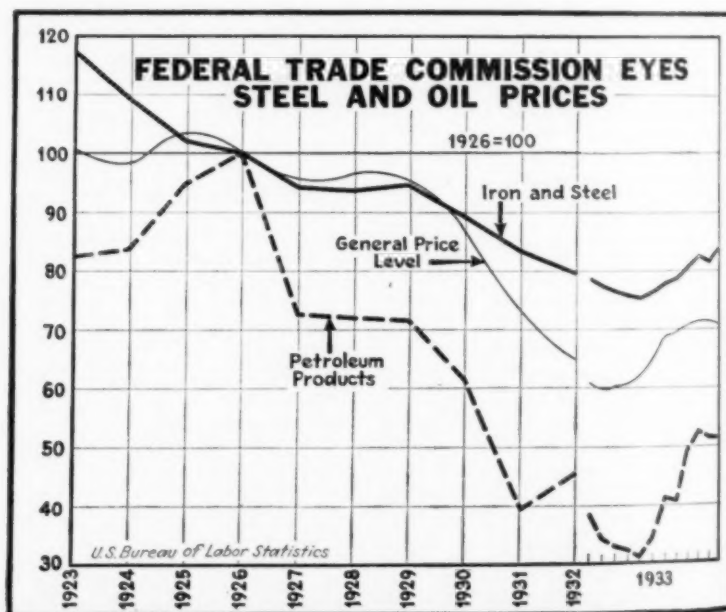
market reached a new high, China and speculators being the chief purchasers. The silver crowd is coyly hopeful that something more will be done by the present Administration, and is flattered by the attention that Secretary Morgenthau is according them with his inquiry into their holdings. The copper code, now up for hearing, had little effect on copper prices.

The Costigan sugar measure, the most recent Washington development, provides restrictions to be applied to imports and production, and makes the

Secretary of Agriculture a sugar czar. The more distant deliveries which are expected to benefit from such a plan rose out of line with the nearby deliveries with no attempt at arbitrage. Coffee, cocoa, silk, and rubber also continued to advance to highest points of the year. These gains cannot be attributed to dollar exchange fluctuation. The dollar depreciation policy is beginning to get in its long-term effects.

The wholesale Commodity Price Index of the United States Department of Labor for the week ended Feb. 3 stands at 72.8% of the 1926 average, as compared with 72.4% the preceding week. Present prices are 21½% above the corresponding figure a year ago when the general index stood at 60 and are 22% higher than the low point for 1933. The bureau reports the largest increase in the food products group because of continued advances in butter, cheese, fruits, vegetables, certain meat items, lard, raw sugar, and cottonseed oil. Increases are also reported in textiles, silks, hides, leather, and in house furnishings. The chemicals, drugs, and fuel groups declined.

The United States Department of Agriculture reports that the purchasing power of the farm dollar as of Jan. 24 has advanced to 71 compared with 70 a fortnight earlier, and 51 in January, 1933. This would indicate that the purchasing power of the farmer has increased 40%, and, if this level held throughout the year, it would mean that our 6½ million farmers will have fully \$2 billions more to spend.



PREMATURE PRICE SCARE—Steel products have declined steadily since 1923, recovering only 11% in 1933. Petroleum products, breaking to 31% of the 1926 level, regained 65%, but still hover around 50% of the popular 1926 goal. General wholesale price level rose 18% from February low.

Editorially Speaking

SAMPLING, old reliable sales device, gets a novel application in California, where 3 utility companies will give away electricity next April and May. Domestic customers of San Joaquin Light & Power and Midland Counties Public Service may use all the juice they care to during the two months; the bills will be same as in March. Utilities hope the experience will teach householders the advantages of liberal use of current. There will be a sales campaign for appliances, of course. The two months are picked because there is heavy run-off of water then and excess power is available. Southern Sierras, an independent utility, has a similar but slightly less liberal scheme; was first out with it.

If you haven't heard the whispered story that the Soviets have secretly built a second, entirely new trans-Siberian railroad, so fast that a 5-day schedule from Moscow to Vladivostok is contemplated—if you haven't heard this, it must be because you don't get around much among the amateur diplomats and strategists. It is one of the most exciting of the war scare tales. It isn't true. The old line has been double-tracked for about 3,000 of its 4,400 miles, however. Instead of putting both tracks on a single embankment, the second track has been laid sometimes 10 or 20 miles away from the first. Russians guess this is how the story of a second railroad got started. Reasons for separating the tracks—new surveys found short cuts or better grades. Not so easy to cut both tracks in wartime either.

ONE of the by-products of the revaluation of the dollar is that Treasury statisticians no longer have to handle the worrisome item "gold outside of the Treasury." Thus \$287 millions goes out of the window. That total was cumulative over a long period of years. It is believed \$50 millions will cover the gold illegally held. Most of the remainder is believed to have been carried out of the country, melted down and used in the arts, or lost. The Treasury had the choice of dropping the item or revaluing it at the new level.

MORE members, fewer dues. Taking as a sample 15 representative trade associations, the U. S. Chamber of Commerce finds that membership during 1933 was 10.3% greater in 1933 than in 1932, but revenue declined 2.5%.

EIGHT states reported more than \$1 million taxes paid on alcoholic beverages in January. They are: California, Illinois, Indiana, Kentucky, Maryland, New York, Pennsylvania, and Wisconsin.

(listed alphabetically, not in order of volume). Total collections for the country were \$21 millions, of which about half came from wines and liquors, about half from beer and ale. In January, 1918, the last pre-prohibition year, collections were \$29 millions, and at lower rates.

SPRINGFIELD, ILL., bus men and motorists are ringing doorbells and passing out appeals, "Help Us Hold Our Jobs." There are 130 of the men; they earn \$14,000 a month; they spend it all in Springfield. The traction company, 10 years ago, used to carry 12 million passengers a year, employed 300 men. Last year it handled 3½ million passengers. Private automobiles are the cause. People drive to work and park all day, pick up passengers waiting for buses and cars.

AMERICAN packers made a net profit of 25¢ on the 157 lb. of lard and meat which they supplied to each person in the United States in 1933. If they had been in the business for the love of it and had added their profits to the prices paid livestock raisers, the producers would have received about 1/7¢ a pound more, on the authority of the Institute of American Meat Packers.

MORTALITY statistics in our own business: during 1933, 282 trade and business publications disappeared. There are 2,718 left. Only 7 daily newspapers died, leaving 2,005 (including foreign language), while 189 weekly newspapers passed out, leaving 11,357. Birth rate: general publications increased by 220, making 4,155. Figures by N. W. Ayer & Sons, in the 66th edition of its directory.

NEW cable regulations effective Jan. 1 increased costs 15%. That spur was sharp enough to cause a general overhauling of codes. Some of the larger users of the cable say careful revision now has offset the increased tariff. For example, one corporation transmits complete details of a d.c. generator—type, field winding, r.p.m., voltage and wire, bearings, shaft, pulley, coupling, and application—in 5 code words!

MICKEY MOUSE, who has entertained everybody, and sold millions of dollars worth of goods, now has been asked to help get rid of the milk surplus. National Dairy Products is distributing a Mickey Mouse magazine. Young children are supposed to cry for it, and demand National Dairy milk in order to get it. And just at the age when they are prone to rebel against so much milk in their diet.

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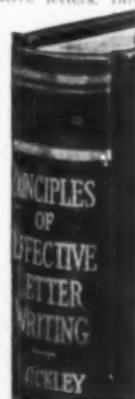
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FEBRUARY 17, 1934

Prices and Recovery

Definition of a depression—the results that follow collapse of the general price structure. Definition of recovery—rise of prices to levels at which fixed charges are bearable and profits possible.

The whole recovery program of the Administration is centered on raising prices. It is astonishing and disturbing, therefore, to find the government seemingly irresolute, confused, and contradictory in its attitude toward industries which are endeavoring to get back on a profit basis.

Industries were invited, compellingly, to organize under codes and agree upon higher wages, more jobs, and shorter hours. Increased costs were to be met by greater volume of business as purchasing power grew, but also by permission to agree among themselves to abolish cut-throat trade practices. Now, if this meant anything at all, it meant abolition of price-cutting, secret discounts, preferential terms, selling below cost of production. In a word, it meant higher prices, and, in the case of standardized products, it was bound to mean uniform prices. Under this dispensation, cheerful beginnings have been made toward revival of business.

But now a series of attacks are launched by governmental agencies charging price-fixing collusion and threatening prosecution under anti-trust laws. Business men are startled and bewildered. Were they not specifically promised exemption from anti-trust statutes?

It is entirely possible that certain business groups have overstepped the bounds of moderation in boosting prices, have gone beyond the most liberal interpretation of NIRA. We are not trying to prejudge the specific complaints the government has made. But we

do say emphatically that the business world is confused and frightened.

The policy of the government toward price making ought to be liberal. It is not important whether a standard grade of rayon is quoted at precisely the same price by all makers, nor is it so important as commonly supposed whether that price be high. If it is too high, competition with other textiles will take care of the rayon industry efficiently and rather promptly. Exorbitant prices quickly kill the goose that lays the golden eggs.

The old doctrine that consumers were best served by the lowest possible prices has been shown up as nonsense. The consumer is a producer, after all, and ruinous prices simply do him out of a job. The appalling depths of this depression were plumbed just because the vast majority of business enterprises couldn't operate at 1932 price levels.

The really important point is what becomes of the money proceeds of industry. NIRA is designed to see that a greater share goes to the workman-producer-consumer. But there must be profits, too. Not outrageous profits, but profits.

The government's function should be merely to watch the apportionment of gross income as between capital and labor. That is enough.

Perhaps that is too much liberality to expect of an administration with Congress on its hands and elections in the offing. Under the circumstances, solicitude for "consumers" is apt to be more tender than strict economic considerations dictate.

But whatever the Administration policy is to be, it needs to be made clear as quickly as possible. Business needs to know what it may and may not do.

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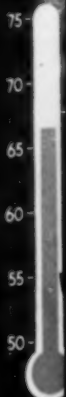
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